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THE FEDERAL BUDGET AND THE CITIES

A Review of the President's Budget
for Fiscal Year 1986
October 1, 1985 to September 30, 1986

FEBRUARY 1985

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PREFACE

This report, "The Federal Budget and the Cities," examines the budget from an urban perspective. The first sections offer a general overview of the budget as well as fiscal and tax policies. Other sections deal with various federal functions, ranging from housing and community development to to defense and general revenue sharing.

The budget is the single most important federal document published each year. It is the vehicle for the formulation of economic and fiscal policy and represents the most significant and comprehensive collection of the priority decisions that the United States government makes in the course of a year.

The FY86 budget comes at a time of continuing national concern with unemployment, hunger and homelessness. It also comes at a time when many cities continue to experience severe economic and fiscal hardships.

This study is prepared by the staff of the United States Conference of Mayors. The Conference, founded in 1933, represents the largest cities in America -- those with a population of 30,000 or more. Judgments made in this document are based on policies adopted by the Mayors.

John J. Gunther
Executive Director
U.S. Conference of Mayors

February 7, 1985

OVERVIEW

The Administration's FY86 budget proposes to eliminate or sharply reduce nearly every federal urban program of significant benefit to cities. General revenue sharing and Urban Development Action Grants (UDAG) would be eliminated, as well as most public transit assistance, nearly all subsidized housing programs, rehabilitation loans, the Job Corps, and the loan programs of the Small Business Administration (SBA). Many other programs would be significantly diminished, including the Community Development Block Grant (CDBG) program and the Summer Youth Employment program. Other cuts are summarized below.

Altogether, real federal grants to state and local governments, after accounting for inflation, would be reduced by 50 percent in budget authority over the five year period FY81 through FY86. In dollar terms, the decrease is over 24 percent. From FY85 to FY86 alone, grants to states and localities would drop from $111.7 billion in budget authority to $91.7 billion, an 18 percent decline.

Key federal programs of direct benefit to cities have declined even more substantially -- by 80 percent in dollar terms over the period FY81 through FY86. After inflation, the drop is even more pronounced. Such programs include general revenue sharing, Urban Development Action Grants, Community Development Block Grants, assisted housing, job training, wastewater treatment construction grants, and public transportation -- not one of which has escaped drastic cuts over the period.

Moreover, despite the claim that low income programs remain relatively unscathed in the FY86 budget, many programs of benefit to the poor would be eliminated or cut substantially. More than $10 billion in FY86 outlays would be cut from programs that primarily benefit low income citizens -- subsidized housing, Medicaid, jobs programs, community and legal services, etc. This figure does not count cuts in many other programs of benefit to the poor, such as UDAG, public transportation, child nutrition and Medicare.

Thus, cities and low income citizens are being asked to take another disproportionate and inequitable budget cut in the fight against deficits, after suffering four successive years of budget reductions already.

These cuts are proposed at a time when cities continue to confront seemingly intractable human problems. Unemployment rates remain very high in most central cities, with minority unemployment rates still at double digit levels. The vast majority of cities surveyed by the Conference of Mayors have experienced an increase in hunger and homelessness in their cities, increased demand for local emergency assistance and longer waiting periods for subsidized housing units. The poor have not benefited from the economic recovery in many cities and indeed in many cases are worse off. Increasing numbers of senior citizens (now almost 15 percent) live below the poverty line and are in need of special nutrition, shelter and health

services. As a result, urban spending to meet emergency food, shelter, and energy needs has skyrocketed. Yet, despite this, few cities have been able to meet the magnitude of the need in their communities.

Many cities also continue to face budget and economic problems -- operating budget reductions, necessary service cuts, layoffs and tax increases, and middle income taxpayers continuing to leave the cities. These problems will intensify if general revenue sharing and other key programs are eliminated, since many of these programs finance basic city services -- police, fire, sanitation and recreation.

Cities are constrained in their ability to meet the needs of their citizens. Few cities have sufficient revenue authority to finance the new responsibilities thrust on them in recent years by the federal government. At the same time, the Administration and the Congress have continued to erode the ability of cities to borrow funds in the bond markets. The tax laws adopted in 1982 and 1984 have curtailed the ability of cities to issue certain types of bonds. Now, the Treasury Department has recommended a tax reform proposal -- currently pending at the White House -- which would continue this erosion, eliminating up to 75 percent of all bonds and undermining the ability of cities to raise revenues by removing the deductibility of all state and local taxes.

In addition, the federal government continues to impose mandates on cities with no compensation for the huge costs incurred. For example, the federal government has mandated water cleanup requirements, handicapped regulations, new paperwork burdens and other mandates which, however worthy in principle, are extremely expensive to implement at the local level. But now, some of the federal resources which cities could use to pay for these mandates -- such as general revenue sharing -- would be eliminated.

The cuts and program eliminations proposed in the FY86 budget will adversely affect the ability of cities to develop their local economies and revitalize older or distressed neighborhoods. Cities had made great strides in recent years, with the help of federal programs, in stimulating the startup of small and minority businesses, creating jobs for the unemployed and attracting private dollars back to deteriorating downtowns. The proposed elimination of UDAG, the Small Business Administration, housing assistance, general revenue sharing and the Economic Development Administration (EDA), together with cuts in Community Development Block Grants and other programs, threaten to halt this urban recovery in the most distressed areas of cities.

The proposed FY86 budget cuts also threaten further cancellations of important infrastructure projects in cities. Most cities have postponed for several years important capital projects -- maintenance, repair and construction of new water and sewer systems, resource recovery projects, transit facilities, roads, bridges, hospitals, and others. The FY86 budget will cut nearly $3 billion from capital programs of benefit to cities, with further reductions scheduled for FY87-90.

Moreover, these cuts in infrastructure and economic development assistance undermine the past decade's progress in forging public-private partnerships. Much of the private investment in cities in recent years has been

stimulated by the federal government through UDAG, EDA, SBA, science and technology programs, industrial development bonds, rehabilitation tax credits and many other initiatives. If these are eliminated or reduced, private dollars may not be forthcoming; indeed, they are apt to go elsewhere -- away from the cities or even overseas.

The cuts in urban and low income programs stand in stark contrast to the treatment of defense spending, foreign military aid, interest on the public debt and other spending components of the budget. Over $1.3 trillion will be spent on defense over the period FY81-86. The one year increase from FY85 to FY86 is nearly $30 billion in budget authority and $32 billion in outlays. So many funds have been poured into the Defense Department that the department can't spend it fast enough. Unspent balances at Defense will total $243 billion at the end of FY85 and $279 billion at the end of FY86.

The trend in defense versus domestic spending is shown in the table -- a shift which is expected to continue in the future. State and local grants would decline from 11.7 percent in FY78 to 4.5 percent in FY88, while defense would escalate from 22.8 percent to 32.7 percent over the same period.

The Conference of Mayors has several specific programmatic concerns about the proposed FY86 budget. We are deeply troubled about proposals to cut or eliminate the following programs:

- General Revenue Sharing: The Administration proposes the complete elimination of the program in FY86. Revenue sharing is a fundamental component of city budgets; its elimination will necessitate massive cuts in fundamental city services and unprecedented increases in local taxes.

- Community Development Block Grants: The FY86 budget proposes a ten percent across-the-board cut in CDBG allocations. In addition, it proposes to change the current 70/30 percent entitlement/nonentitlement distribution split to 60/40, and the number of entitlement jurisdictions would increase. The cumulative effect will be to reduce CDBG allocations by about 23 percent for entitlement cities. In addition, small cities will now have to compete with rural areas for the funds which they receive through the states.

- Urban Development Action Grants: The Administration proposes to eliminate the UDAG program in FY86. UDAG has been an extremely effective tool in leveraging private funds and in revitalizing cities. On average, each $1 of UDAG funds leverages $6 in private investment.

- Assisted Housing: There would be no new housing assistance funds of any kind in FY86 or FY87. Funds would be cut from a level of $10.8 billion in budget authority in FY85 to $499 million in FY86. There would be virtually no funding for new units under Section 8, the Section 202 program for elderly and handicapped, rental rehabilitation grants, housing development grants, public housing or Indian housing programs.

- Youth Programs: There would be a $100 million reduction in funding for the Summer Jobs program in 1985 and a $160 million cut in the summer of 1986. This program is important in providing jobs to disadvantaged young people age 14-20. In addition, higher education grants and student loans would be reduced substantially.

- Jobs Programs: About $900 million is proposed to be cut from the Job Training Partnership Act. There would be major reductions in funding for the Dislocated Worker program, and the Administration proposes to eliminate the Job Corps, the Work Incentive program, Trade Adjustment Assistance and the Targeted Jobs Tax Credit.

- Credit Programs: The Administration's FY86 budget would slash direct loan programs by over 50 percent, cutting them from $51.9 billion in FY85 to $24.2 billion in FY86. Completely eliminated would be the loan programs of the Small Business Administration, Economic Development Administration, Section 312 rehabilitation loans, Section 108 community development guaranteed loans and others. Low rent public housing loans would be reduced from $14.3 billion to $1.8 billion in FY86. Section 202 housing loans for the elderly and handicapped would be virtually eliminated.

- Public Transportation: The Administration proposes a $2.75 billion cut in public transit programs -- a full two thirds reduction. The Public Transit Formula Block Grant program which provides most capital and operating assistance would be completely eliminated, with only the one cent gasoline tax set-aside remaining. This will result in service cuts and some shutdowns in cities. In addition, all operating assistance to Amtrak would be terminated.

- Medicare and Medicaid: Cuts totalling $4 billion in Medicare and $1.1 billion in Medicaid, as well as cuts in other health programs, will put further burdens on people in need of health care and on cities with responsibility for Medicaid, public hospitals or other health services.

- Nutrition: Children from families above the poverty level would be eliminated from the school lunch and breakfast and child care food programs. This is expected to lead to program closings in an estimated 8,000 to 10,000 schools, forcing out of the program five to six million additional children of all incomes. The Women, Infants and Children (WIC) program would serve a smaller caseload.

- Energy Conservation: Programs to assist State and local governments in energy conservation would be reduced 88 percent.

- Emergency Food and Shelter Programs: No funds are proposed to continue the emergency food and shelter programs, despite

rising numbers of hungry and homeless individuals in cities and rising demand for emergency services. The funds for special commodity distribution programs would also be discontinued. In addition, the FY86 budget would terminate the community services block grant which many communities have used to provide emergency services.

- Environmental Programs: For the fifth consecutive year, the Administration is seeking no funds for urban parks, the land and water conservation and historic preservation programs. The Administration is proposing the beginning of a four-year phase-out of the Water Treatment Construction Grant programs, which would be restricted to completing existing projects starting in FY86.

There are a few good features of the budget -- a 45 percent increase in the Superfund hazardous waste clean-up program and the resubmission of the Enterprise Zone program.

Mayors are very concerned about continued high federal deficits -- expected to be $180 billion in FY86. However, cities and the urban poor have given up more than a fair share over the past four years.

The Conference of Mayors will be working with the Congress to formulate a budget which truly meets the needs of our nation and our cities and the people who reside in them. We are hopeful that a budget will be designed that treats all Americans more fairly.

CHANGING BUDGET PRIORITIES
Percentage Composition of Budget Outlays

Fiscal Year	Grants to State & Local Govts.	Defense	Payments to Individuals	Interest	Other
1978	11.7%	22.8%	46.0%	7.7%	11.8%
1979	11.1	23.1	46.2	8.5	11.0
1980	10.1	22.7	47.0	8.9	11.4
1981	8.5	23.2	47.7	10.1	10.5
1982	6.7	24.9	47.8	11.4	9.2
1983	6.3	26.0	48.9	11.1	7.7
1984	6.3	26.0	48.9	11.1	7.7
1985	6.2	26.5	44.6	13.6	9.2
1986	5.5	29.3	45.5	14.6	5.1
1987	4.9	31.3	45.5	14.9	3.4
1988	4.5	32.7	45.4	14.5	2.7
1989	4.3	34.5	46.4	13.0	1.8
1990	4.1	36.0	47.0	11.6	1.3

Source: OMB, Historical Tables, FY86 Budget, Table 6-2.

ECONOMIC AND TAX POLICY

Federal spending and revenues are based on several different economic forecasts of unemployment, inflation, interest rates, productivity, and the Gross National Product (GNP). Economic forecasting is an imprecise science. Because calculations of outlays and revenues are highly sensitive to even small alterations in economic performance, misestimates can complicate later deficit and budget problems.

In the budget, the Administration projects that real GNP will increase by 4.0 percent annually over the period 1985-1988. The Consumer Price Index (CPI) is forecast to remain low, rising from 3.6 percent last year to 4.3 percent in 1986 and declining again thereafter. Unemployment rates would remain high by historical standards -- barely decreasing until 1987 and beyond and remaining above 6.0 percent through 1989. Long term interest rates are projected to fall dramatically, to 9.3 percent in 1987 and 5.7 percent in 1989. Many economists consider these to be very optimistic projections in view of continuing high deficits. Table 1 summarizes these budget projections.

FEDERAL DEFICITS

The federal deficit for FY86, even with the big cuts proposed in the budget, would still be $180 billion. The FY85 figure is $222 billion. These high deficits will continue into the foreseeable future, with the Administration projecting a $144 billion deficit even in FY88. Between FY82 and FY86, over $1 trillion will be added to the public debt -- the same amount as in all the preceding 200 years.

There is concern that deficits of this magnitude will crowd out private borrowing and investment. Moreover, a growing proportion of U.S. debt is held by foreigners -- currently over 15 percent. This is of concern, because of the relative volatility of such investment.

The federal debt is now equal to 51.7 percent of the GNP, the highest level since World War II. Given the magnitude of this debt, it can have a significant effect on inflation, interest rates and long term economic health.

While the Administration blames the deficit on increases in domestic spending over the last decades, it can just as easily be attributed to the big 1981 tax cut, which will reduce federal revenues in FY86 by $211 billion or by defense spending, which has risen by $128 billion since FY81.

FEDERAL SPENDING

Total federal outlays are scheduled to rise from $959 billion in FY85 to $974 billion in FY86. The policy with respect to federal spending is

called a "freeze plus cuts." While overall domestic outlays are frozen at the FY85 level, many programs are substantially reduced. Altogether, a total of $51 billion would be cut from FY86 outlays, and according to the Office of Management and Budget, over $80 billion would be slashed from FY86 budget authority. It is budget authority that is the most relevant measure of federal spending since that is what is appropriated by the Congress. Outlays are estimates which can change substantially over time.

Total domestic spending has been virtually frozen from FY81 through FY86. Of course, the total figures camouflage many cuts which have been enacted, while social security and interest payments have risen substantially. Moreover, after inflation, the domestic component of federal spending has declined by over 25 percent in purchasing power over the last five years.

GRANTS TO STATE AND LOCAL GOVERNMENTS

Grants to state and local governments are projected to total $91.7 billion in budget authority in FY86, down from $120.1 billion in FY81. (See Table 2.) This represents a 24 percent cut in dollar terms and a 50 percent cut in real terms, after inflation. Since 1978 grants have consistently declined in real terms and as a percentage of the budget.

The Administration includes many payments to individuals as grants to state and local governments. Excluding these benefits, total federal grants to states and localities would total $54.8 billion, down substantially from the FY81 figure and comprising only 5 percent of total federal outlays.

TAX POLICY

The Administration's FY86 budget shows a continuing shift in the federal revenue structure, accelerated with the enactment of the large federal tax cuts of 1981. Corporate income taxes have declined over time from a high of 39.8 percent of total revenue in 1943 to about 15 percent in the 1970s and to 9.3 percent in 1986.

Excise taxes have also declined in importance over the years, from a high of 30 percent of total revenue to 4.4 percent in FY86.

At the same time, social security and payroll taxes have risen dramatically in importance, now comprising 36.5 percent of total revenue. This shift in federal revenue reliance has placed greater tax burdens on low and middle income taxpayers.

The FY86 budget reiterates the Treasury Department's call for comprehensive tax reform. However, the actual proposals are not contained in the budget, and since they are expected to be revenue neutral, would not change the overall revenue figures. (The economic projections, however, would change.) It is expected that the Administration will submit its tax recommendations after consulting with members of Congress later in the year.

There are some tax proposals contained in this budget, most of them offered in earlier budgets and not adopted by the Congress. These include the following tax proposals of interest to cities:

- Tax Incentives for Higher Education: The Administration is again proposing legislation to exclude from taxation the earnings on savings deposited in special accounts that would be used to pay future higher education expenses of dependent children under 18. The maximum annual contribution to these accounts would be $1,000 per child. However, this maximum would be reduced 5 cents for each dollar that the taxpayer's adjusted gross income exceeds $40,000, so that any taxpayer with adjusted gross income in excess of $60,000 would be ineligible.

- Tuition Tax Credit: The Administration is again proposing legislation to provide taxpayers a nonrefundable credit for 50 percent of tuition expenses paid to private elementary and secondary schools for certain qualified dependents. The maximum credit allowable for each dependent would be $100 in 1985, $200 in 1986, and $300 thereafter, with the maximum amount in each year phased out for taxpayers with adjusted gross incomes between $40,000 and $60,000. This proposal is estimated to reduce receipts by $0.4 billion in 1986. The Conference of Mayors opposes the tuition tax credit because it is likely to undermine the public school system.

- Enterprise Zone Tax Incentives: The Administration is again proposing that up to 25 small areas per year (in each of three years) be designated "enterprise zones." One-third must be rural areas. Effective January 1, 1986, the following tax incentives would be available for economic redevelopment in the zones: an exemption from capital gains tax on certain qualified property; a tax credit for employees equal to 5 percent of the first $10,500 of wages earned; a tax credit for employers equal to 10 percent of any qualified increases in their payrolls; a separate tax credit for employers of certain disadvantaged individuals equal to 50 percent of the wages of such persons for the first three years of employment (the percentage declines by 10 points in the fourth year and each year thereafter); an increase of 50 percent in the regular investment tax credit for investment in equipment; a 10 percent investment tax credit for new construction and reconstruction of buildings; and continued availability of tax-exempt bond financing beyond the 1986 sunset date for small issue bonds. These incentives, which generally would remain fully in effect for 20 years and be phased out over the succeeding four years, are estimated to reduce receipts by $0.1 billion in 1986.

- Unemployment Insurance (UI) and Employment Service (ES): Employers currently are subject to a Federal unemployment insurance tax (FUTA) on the wages and salaries of their employees. The Federal Government uses part of these taxes to finance the administrative costs of the UI and ES programs and

makes the major decisions regarding the allocation of these resources among competing administrative needs (claims processing, appeals, overpayment and fraud detection, etc).

The State governments levy and collect the taxes that finance the bulk of UI benefits, and decisions regarding the allocation of administrative resources can have a major impact on UI tax requirements. The Administration is therefore working with the States to develop legislation that will be proposed to transfer responsibility for financing and administering the UI/ES system to the States. Under this proposal the net FUTA tax rate would be reduced effective January 1, 1988, resulting in an estimated reduction in these receipts of $1.8 billion in 1988. Since the States would have responsibility for financing the administrative costs of the system at that time, the estimated reduction in FUTA receipts is expected to be offset by increased deposits by States into their accounts in the unemployment insurance trust fund. It is therefore estimated that this proposal would have no net effect on receipts.

- State and Local Deposit of Social Security Payroll Taxes: States and local governments currently are required to make semi-monthly deposits of social security taxes. Private employers and the Federal Government are required to deposit these taxes under an accelerated schedule. The Administration is requesting legislation that would remove the States' liability for deposit of taxes by sub-state entities and conform the state and local government deposit schedule to the private sector schedule over a three year period beginning October 1, 1985. Late deposits by state and local employers would be subject to the same penalty rate (the prime interest rate) as private employers, rather than the current interest charge of only six percent. These changes are estimated to increase receipts $0.4 billion in 1986.

- Restructuring of the Dependent Care Tax Credit: The Administration is again proposing to increase the dependent care tax credit to 40 percent of qualifying dependent care expenses for individuals with an annual income of $10,000 or less. The credit would be reduced as the individual's income increases above $10,000, and would phase out completely when income reaches $60,000. This credit, proposed to become effective January 1, 1986, is estimated to reduce receipts by $0.2 billion in both 1987 and 1988.

- Hazardous Substance Response Trust Fund: The Administration proposes to reauthorize and expand the taxing authority under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. The taxes levied under this authority are used to finance the Hazardous Substance Response Trust Fund, commonly referred to as "Superfund," which pays for the cleanup of hazardous waste sites. The proposed taxes, which are estimated to increase receipts to the trust fund by $0.9 billion over current law in each year, 1986-1988, would be

sufficient to finance the level of spending proposed by the Administration for hazardous waste site cleanup in 1986 and later years. No appropriation from the general fund of the Treasury will be requested.

- Extension of Research and Experimental Expenditures (R&E) Tax Credit: The tax credit for incremental research and experimental expenditures, which is scheduled to expire December 31, 1985, is proposed to be extended for three years. Extension of this credit is estimated to reduce receipts $0.7 billion in 1986, $1.3 billion in 1987, and $1.5 billion in 1988.

- IRS Revenue Initiative: In 1986 the Internal Revenue Service will begin initial phases of an initiative to close the gap between taxes owed and paid, and to improve overall compliance with the tax laws. Based on a Grace Commission recommendation, examination staffing will be increased by 2,500 full-time equivalent personnel in each year, 1987-89. Advance hiring will begin in 1986. Receipts are estimated to increase by $0.5 billion in 1987 and $1.5 billion in 1988 as a result of this initiative.

CREDIT BUDGET

The Administration's FY86 budget process will slash nearly all direct loan programs of the federal government. In total, direct loan programs would be reduced by over 50 percent in dollar terms, from $51.9 billion in FY85 to $24.2 billion in FY86. Guaranteed loan commitments would increase slightly, largely due to a rise in the agricultural credit insurance fund. Most other loan guaranty programs would be cut or frozen.

Loan programs to be completely eliminated by the Administration include all of the programs of the Small Business Administration, Section 108 community development guaranteed loans, Economic Development Administration guaranteed loans, the Section 312 rehabilitation loan fund, the Export-Import Bank direct loans, loans to higher educational institutions, and nearly all rural loan programs.

In addition, low rent public housing loans would be reduced substantially, from $14.3 billion to $1.8 billion in FY86, as would Section 202 housing loans for the elderly and handicapped, from $600 million to $50 million, a virtual elimination of the program.

BUDGET PROCESS

The Congressional Budget and Impoundment Control Act of 1974 (PL 93-344) established a process whereby the Congress writes its budget. House and Senate Budget Committees develop concurrent budget resolutions, which, when adopted, give Congress the overall guidelines for its budget. The first budget resolution, which is supposed to be adopted by May 15, sets targets to guide the Congress as it acts on particular tax and appropriation bills. That is also the date by which all authorization bills are to be reported. Appropriation action is supposed to be completed by September 10,

but rarely is. Then, the second and, in some cases, subsequent budget resolutions set a limit on total spending and a floor under revenues.

Although these dates are supposed to be deadlines for congressional action on the budget, most of the dates have been ignored or violated in recent years. For example, a continuing resolution has usually proven necessary as a result of tardy congressional action on appropriation bills.

In recent years, the Congress has made use of the "reconciliation" process whereby the Budget Committees direct the other standing committees of the Congress, as part of the first resolution, to make cuts or revenue changes of a certain size in their programs. The specific reductions made by the standing committees are then packaged and consolidated by the budget committees into one omnibus reconciliation bill. The reconciliation procedure introduces significant inflexibility into the budget process at an early stage. The first resolution becomes a binding ceiling on spending, rather than a series of targets. The committees may make substantive changes in law as part of the reconciliation bill, bypassing the normal legislative process. During the last four years, block grants and other authorizing changes have been enacted as part of the reconciliation process.

Based on past experience with the Budget Committees and the congressional budget timetable, the Budget Committees are not likely to add money to the budget for urban programs unless the funding is requested by the standing committees of the Congress by the March 15 deadline. The first budget resolution is of vital importance. Unless funding for new and expanded urban programs is included in the first resolution, it will be difficult to win congressional approval of appropriations and authorizing legislation. This is because the spending targets of the first resolution have usually been interpreted as ceilings on spending, an inflexibility which is made more acute by congressional use of the reconciliation process.

The President continues to seek authority for the line-item veto, i.e., the power to veto one or more line items in appropriation bills. Currently, the President must veto the entire bill, without change. If the Congress grants the President the line-item veto, there could be major realignment of budgetary powers between Congress and the Executive Branch. The President would have more control to determine levels of spending in many program areas.

Table 1

ECONOMIC PROJECTIONS FOR 1985-1990

	Real GNP		Consumer Price Index	
	Year/Year	IV-Q/IV-Q	Year/Year	IV-Q/IV-Q
Calendar Year	(Percent Change)			
1985	3.9	4.0	4.1	4.2
1986	4.0	4.0	4.3	4.3
1987	4.0	4.0	4.2	4.1
1988	4.0	4.0	3.9	3.8
1989	3.9	3.8	3.6	3.5
1990	3.6	3.6	3.3	3.2

	Civilian Unemployment		91-Day Treasury Bill	
	Average	IV-Q	Average	IV-Q
	(Percent Change)			
1985	7.1	7.0	8.1	8.0
1986	7.0	6.9	7.9	7.8
1987	6.7	6.6	7.2	6.7
1988	6.4	6.3	5.9	5.5
1989	6.2	6.1	5.1	5.0
1990	5.9	5.8	5.0	5.0

Source: OMB, FY86 Budget, pp. 3-14, 3-15.

Table 2
FEDERAL GRANTS-IN-AID
(dollars in billions)

Fiscal Year	Total Grants To State And Local Governments		Payments For Individuals Classified As Grants[1]	All Other Grants[1]	Grants As % of Total Outlays[2]
	BA	O[3]			
1978	92.2	77.9	24.2	43.7	11.7
1979	98.6	82.9	26.9	56.0	11.1
1980	105.0	91.5	31.9	59.5	10.1
1981	120.0	94.8	36.9	57.8	8.5
1982	116.9	88.2	37.9	50.3	6.7
1983	99.6	92.5	41.6	50.8	6.3
1984	111.9	97.6	44.3	53.3	6.3
1985	111.7	107.0	47.8	59.2	6.2
1986	91.7	100.7	46.9	53.7	5.5

1 These include Medicaid, Welfare and other benefits.

2 Grants exclude payments to individuals.

3 BA is Budget Authority; O is Outlays.

Source: OMB, FY86 Budget Special Analysis 4, H-19 Historical Tables 6-2.

AGING

The Administration's FY86 budget request of $689 million for the Administration on Aging (AoA) represents a reduction of $12.5 million from the FY85 level. The budget proposes a freeze in the nutrition and support services at the FY85 levels and a 50 percent reduction of the Title IV Training and Research program.

The FY86 budget for AoA represents only a slight reduction from FY85 funding levels but continues a trend, begun in FY82, of requesting less federal funding for nutrition and support services for an increasing number of older Americans. More importantly, these cuts in Older Americans Act programs become more critical when combined with proposed budget reductions in other programs for the elderly such as Medicare and elderly housing. (Other sections in this document describe in greater detail proposed reductions in Medicaid and health services, Community Development Block Grants (CDBG), transportation, and the proposed elimination of such programs as general revenue sharing, Community Services Block Grant, and other proposed budget reductions, all of which affect the urban elderly.)

OLDER AMERICANS ACT

The FY86 budget requests $669 million, the same as in FY85, for the consolidated Title III Grants to States providing nutrition and support services for persons aged 60 and older. The Act, reauthorized in 1984 to run through FY87, also provides funds for research and training, older workers, older Indians, a United States Department of Agrigulture (USDA) food commodities program, and the Federal Council on Aging.

Title III Grants to States

The FY86 budget reflects the consolidation of funds for state administration with funds for nutrition and support services. The 1984 Amendments provide states with the flexibility to transfer up to 27 percent (30 percent by 1987) of the funds among nutrition and support services, and to use up to five percent for administrative expenses. States are responsible for the development of a state plan and for designating Area Agencies on Aging (AAAs) to administer funds locally.

- Support Services and Senior Centers: The FY86 budget of $265 million freezes funds for a wide range of community support services at the FY85 level. These services -- including counseling, information and referral, crime prevention, and outreach -- assist an estimated 9.3 million older persons, over half of whom are low income. The services are funded through a network of nearly 670 local AAAs (usually non-profit agencies), councils of governments and county governments. Currently, 19 cities have administrative responsibilities for their AAA. The 1984 Amendments to the Act provide a modified first right of refusal for local governments in future AAA designation.

- Nutrition: The FY86 budget freezes at the FY85 levels the three elderly nutrition programs: congregate meals ($336 million), home-delivered meals ($68 million), and the food commodities ($116 million) administered by the USDA. The budget assumes that increased contributions from participants (projected at $128 million in FY86) and other administrative changes will result in an increase of over three million meals, bringing the total to 218 million meals served annually.

Title IV Research, Training, and Discretionary Program

The FY86 budget request of $12.5 million represents a 50 percent reduction from FY85 levels for the consolidated research, training and discretionary program. Last year Congress rejected the Administration's request to nearly eliminate this program and reauthorized it at $29 million for FY86. This discretionary program -- which funds a number of training, technical assistance, and information dissemination programs, and which promotes the development of innovative and effective approaches for addressing needs of older Americans -- was funded at $54.3 million in 1980. The shifting of federal roles and responsibilities to states and local communities has increased the need among local officials for information and training in aging services.

OLDER WORKERS

The Administration's FY86 budget requests $326 million -- the FY85 level -- for the Senior Community Services Employment Program. This program, authorized by Title V of the Older Americans Act, is administered by the Department of Labor through state governments (22 percent of the funds) and eight national contractors. The program provides 63,800 part-time work opportunities at minimum wage to unemployed low-income persons aged 55 and older.

OLDER VOLUNTEERS

The FY86 budget request of $103.2 million essentially maintains the FY85 program levels of three volunteer programs, administered by ACTION, for persons aged 60 and older. The Administration will be seeking a rescission of $1 million to reduce administrative expenses, as required by the Deficit Reduction Act of 1984.

- Retired Senior Volunteer Program (RSVP): The FY86 request of $29.6 million would provide community volunteer opportunities to nearly 407,000 older citizens through grants to public and non-profit organizations in local communities in the areas of health, nutrition, education, problems with troubled youth, refugee assistance and other community services.

- Senior Companion: The FY86 request of $18 million would support nearly 6,900 low-income elderly in voluntary efforts to provide long term care to approximately 124,000 frail and elderly persons.

- Foster Grandparents: The FY86 request of $56 million would provide nearly 18,425 low-income elderly with volunteer activities to provide companionship and guidance to approximately 65,000 mentally, physically or emotionally handicapped children with emphasis on preventing institutionalization and/or returning children to communities.

ELDERLY HOUSING

The Administration's FY86 budget of $50 million represents the virtual elimination of the Section 202 Loan Program, providing housing for the elderly and handicapped, which was funded at $600 million in FY85. The Administration proposes a two year moratorium on new housing production, with the requested funds to be used to support loan amendments on already approved projects. In FY85 funds were appropriated to support 12,000 units, down from 14,000 in FY84 and 17,000 in FY80.

The program has provided direct federal low interest, long term loans (40 years) to non-profit sponsors for new construction, rehabilitation or alteration of rental housing for the elderly and/or handicapped. These Section 202 units are administered in conjunction with the Section 8 Low Income Housing Assistance program. The Budget Reconciliation Act of 1981 increased the rent payment of assisted housing tenants from 25 percent to 30 percent of income, phased in over a five year period. (See the Community Development and Housing section of this document for additional housing program details.)

HEALTH

Medicare

The FY86 budget requests $73.3 billion, a 2 percent increase over FY85, to finance the Medicare program serving approximately 29 million persons aged 65 and older (98 percent of all elderly) and three million disabled persons. The Administration proposes to cut Medicare by $4.2 billion through regulations and legislation. In addition to freezes imposed on hospitals, skilled nursing homes, doctors and other providers, there are a number of actions proposed which would increase the "out-of-pocket" health costs for the elderly. These include an increase from 25 to 35 percent in the Part B premium (Supplemental Medical Insurance covering physicians, laboratories, outpatient and other medical services); a delay in eligibility for Medicare coverage; and a requirement for co-payment for home health services.

SUMMARY

The elderly are substantial participants in numerous federal programs. Examples include:[1]

- Medicaid: In FY83, the aged made up 15.5 percent (3.5 million persons) of all Medicaid recipients, and accounted, primarily because of the high cost of nursing homes, for 37.3 percent of program expenditures.

- Assisted Housing: Nearly 45 percent of all the residents of HUD-assisted housing are over 62 years of age; and approximately a third of low-income persons receiving rental assistance are elderly.

- Low Income Home Energy Assistance: Approximately a third of the 3.5 million low income persons receiving assistance to meet fuel costs are elderly.

- Legal Services Corporation: Nearly 13 percent of the 1.3 million recipients of legal assistance in 1983 were age 60 or older.

Many other federal programs benefit or include the elderly. CDBG is often used to finance construction or rehabilitation of senior centers and accessory apartments; general revenue sharing supports in many communities a variety of aging programs; Social Services Block Grants benefit an estimated one million older persons; and Food Stamps are used by nearly 2.5 million older persons.

In 1982, one of every seven elderly persons (14.6 percent) lived in poverty with an income below $4,626 and an additional 2.2 million were "near poor." The incidence of poverty is disproportionate among women and Blacks. Over half of the elderly depend upon Social Security for over half of their income, and a fifth receive 90 percent or more of their income solely from Social Security.

Each day approximately 5,000 persons celebrate their 65th birthday for a net increase of nearly 600,000 elderly persons each year. At present there are nearly 29 million Americans age 65 and older, nearly two-thirds of whom live in urban areas, with half of these in central cities. City governments are in a period of transition regarding services for older residents and are being called upon to assume a larger role in the provision of support services at a time of reduced public resources.

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1 The President's Budget: A Clinical View from an Aging Perspective, Leadership Council of Aging Organizations, 1985.

ADMINISTRATION ON AGING
Budget Authority
(dollars in millions)

	FY81	FY82	FY83	FY84	FY85	FY86
Title III						
Grants to States						
State Agency Activities[a]	23	22	22	22	---	---
Support Services and Centers	252	241	241	241	265	265
Nutrition						
Congregate	295	287	319	322	336	336
Home Delivered	55	57	62	62	68	68
Subtotals	625	609	644	647	669	669
Title IV						
Research, Training and Discretionary Projects	40.5	22.2	22.2	22.2	25.0	12.5
Indians	5.7	5.7	5.7	5.7	7.5	7.5
Federal Council on Aging	.5	.2	.2	.2	.2	.2
National Clearinghouse[b]	1.8	1.7	---	---	---	---
AoA Net Total[c]	674	637	672	675	702	689
Title V						
Older Workers[d]	227	227	282	317	326	326

a In FY85, State agency activities funding was consolidated into Title III support services and nutrition; the 1984 Amendments to the Older Americans Act specifies that up to 5 percent of the state's Title III funds may be used for administrative expenses.

b The National Clearinghouse on Aging was eliminated in FY82.

c Some discrepancies in figures occur due to rounding and consolidation of state administered funds.

d The Older Worker program is administered by the Department of Labor.

Source: U.S. FY86 Budget, pp. I-K4 and D/HHS press release 2/4/85, p. 66.

ARTS AND HUMANITIES

NATIONAL ENDOWMENT FOR THE ARTS

The FY86 Administration budget request for the National Endowment for the Arts (NEA) is $144.5 million. The Administration's request for FY86 is $19.1 million, 12 percent less than the FY85 appropriation of $163.6 million approved by the Congress. The following table shows FY81-85 appropriations for the NEA and the Administration's proposed funding for the agency in FY86:

NEA FUNDING, FY81-85, AND FY86 PROPOSAL
(dollars in millions)

FY81	FY82	FY83	FY84	FY85	PROPOSED FY86
$158.6	$143.4	$143.8	$162.0	$163.6	$144.5

Sources: For FY81-FY82 data, National Endowment for the Arts, History of Authorization and Appropriations through FY82, p. 4. For FY83-FY85 data, Congressional Arts Caucus, Arts Updates, January 1983, February 1984, and January 30, 1985; and Appendix to the FY86 Budget, p. I-Y-59.

The NEA provides grants to, or contracts with, groups, individuals, and state and regional governments engaged in the arts. Program aims of the NEA are to encourage individual and institutional development of the arts, preservation of the American artistic heritage, wider availability of the arts, leadership in the arts, and stimulation of non-federal sources of support for artistic activities.

The Administration's 1986 budget request is divided into the following major areas:

- $102.6 million for program funds, including funds for state arts agencies, regional arts groups, and a variety of programs in areas such as dance, design arts, artists in education, education, folk arts, media arts, museums, music, opera-musical theater, theater, visual arts, and others, most of which are relevant to cities. For example, the Design Arts program offers project grants and conducts advocacy efforts in the

fields of architecture, landscape architecture, urban design and planning, and industrial and graphic design. It sponsors matching grants of up to $100,000 for design competitions, which cities can use to promote excellence of design in public buildings and spaces. The Administration's FY86 request of $102.8 million is a decrease of $17 million, about 14 percent, from the FY85 appropriated funds of $119.7 million.

- $9 million for the matching of private donations to the Endowment from the NEA's Treasury Funds. Funds donated to the NEA and accepted by it are matched in an equal amount by the Treasury Fund, and resulting grants made from the fund are matched again by recipient organizations. The $9 million FY86 request is $180,000 more than the FY85 Congressional appropriation of $8.8 million.

- $18.5 million of the $144.5 million FY86 budget request is earmarked for NEA Challenge Grant funds. Challenge Grants are made through the Test Program of Support for Local Arts Agencies to local and state arts agencies to help increase local support of the arts on a continuing basis, and to set in place on-going processes for arts development in communities. The Test Program requires a match of $3 in new or increased non-federal dollars for each federal dollar awarded. The Administration's request for Challenge Grant funds is $18.5 million, $2.1 million (10 percent) less than the FY85 appropriation of $20.6 million.

- The final portion of the Administration's request is $14.3 million in administrative funds, a decrease of $300,000, or 2 percent, from the FY85 appropriation of $14.6 million (which includes $13.9 million for administration and $686,000 for regional representatives.)

NATIONAL ENDOWMENT FOR THE HUMANITIES

The National Endowment for the Humanities supports research, scholarship, education, and general audience programs in the humanities. The Administration's FY86 budget request for the National Endowment for the Humanities (NEH) is $126 million, a reduction of $14 million (10 percent) from the FY85 appropriation of $140 million.

NEH FUNDING, FY81-85 and FY86 PROPOSAL
(dollars in millions)

FY81	FY82	FY83	FY84	FY85	PROPOSED FY86
$151	$131	$130	$140	$140	$126

Source: Office of Public Affairs, National Endowment for the Humanities, Press Release, February 4, 1985; NEA, and Appendix to the FY86 Budget, p. I-Y-60.

Like the NEA, NEH's budget is divided into four major categories: regular program funds, support for the Treasury Fund, Challenge Grants, and administrative expenses. The Administration's FY86 request calls for:

- $84.1 million in regular program funds, a decrease of $11.1 million (12 percent) from the $95.2 million appropriated for FY85.
- $11.5 million in Treasury funds to match private gifts for NEH projects on a one-to-one basis. This is an increase of $720,000 or 7 percent from the $10.8 million FY85 appropriation.
- $16.5 million for Challenge Grants, which require three non-federal dollars for each federal dollar in support of humanities institutions, a decrease of $3.1 million, or 16 percent, from appropriations of $19.6 million for this category in FY85.
- $13.91 million for administrative expenses, a $20,000 increase from the FY85 appropriation of $13.89 million. The FY86 request, however, includes $500,000 for Intergovernmental Personnel Act Assignments (IPAs), which were supported from program funds prior to FY86.

Decreases in the regular program funds of the NEH as requested by the Administration would affect several areas of importance to cities, including humanities instruction in elementary and secondary schools; projects and humanities programs for nontraditional learners; summer seminars on the humanities for secondary teachers; basic research on the humanities in educational institutions, many of which are in cities; and humanities projects in museums, historical organizations, and libraries.

INSTITUTE OF MUSEUM SERVICES

In 1982, the Institute of Museum Services (IMS) was transferred from the Department of Education and established as an entity within the National Foundation on the Arts and Humanities. The IMS assists museums of all sizes and disciplines in their effort to maintain, increase, and improve their services to the public.

In its FY83-85 budget requests, the Administration proposed either elimination (FY83) or a large reduction (FY84, FY85) of funding for the IMS; in each instance, the Congress voted a substantial increase.

For FY86, the Administration has requested only $292,000 for the IMS and provides no funds for grants to museums. The $292,000 is for the support of administrative activities associated with the management of grants in the previous year. The Administration's request represents a 98 percent reduction in the IMS's funding.

COMMUNITY DEVELOPMENT AND HOUSING

COMMUNITY DEVELOPMENT

The proposed FY86 Department of Housing and Urban Development (HUD) budget would cut the Community Development Block Grant (CDBG) program and eliminate the Urban Development Action Grant.

The budget proposes to reduce the basic CDBG program by 10 percent and alter the current 70/30 percent entitlement/nonentitlement distribution split to 60/40. The cumulative effect of these proposals would produce a total reduction of 23 percent in CDBG for entitlement jurisdictions.

The FY86 budget proposes complete elimination of the Urban Development Action Grant (UDAG) program. Currently funded at $440 million, this program has been successful in leveraging private funds for development in cities experiencing economic distress.

Also slated for elimination in the FY86 budget are the Section 108 Loan Guarantee program and the Section 312 program.

The Administration again proposes the establishment of enterprise zones. Up to 25 small areas would be designated enterprise zones each year for three years and then be elegible for a variety of tax incentives intended to encourage economic redevelopment in the zone. The Conference of Mayors supports this effort.

Community Development Block Grant

The FY86 budget proposes a total of $3.125 billion for CDBG spending. This reflects a 10 percent reduction from the FY85 appropriation.

After deducting $60.5 million for the Secretary's Discretionary Fund (a $4 million increase over the FY85 amount), the balance of the CDBG appropriation is presently split on a 70/30 percent basis between the entitlement and nonentitlement categories, respectively. The FY86 budget proposes to alter the current 70/30 entitlement/nonentitlement split to 60/40. This new split is to provide for the proposed transfer of the Farmers Home Public Facility program funded at $115 million in FY85 to HUD. No additional funds would be made available for this program. This 60/40 split increases the cut for entitlement cities by 13 percent.

Entitlement cities would not be the only ones affected by this proposed change; small cities would have to share funds with those rural jurisdictions currently funded by Farmers Home.

HUD estimates approximately 814 cities and counties will have entitlement status during FY85. The increase in the number of entitlement

jurisdictions each year further dilutes the funding available to each entitlement jurisdiction.

(Entitlement status is available to any city which is designated as a central city of a Metropolitan Statistical Area (MSA) or any other city in an MSA which has a population of at least 50,000, and any county in an MSA which has an eligible population of 200,000.)

Urban Development Action Grants

The FY86 budget proposes termination of the UDAG program. This would require legislation to repeal the authorization for the program. UDAG, currently funded at $440 million, has been successful in leveraging private funds for revitalization of cities experiencing economic distress. THe average ratio of private investment dollar to UDAG dollar is six to one. The fundamental principal underlying the UDAG program is the requirement for a firm private sector commitment to a project before any UDAG funds are awarded. There are 413 cities eligible for UDAG.

Section 108 Loan Guarantees

HUD again proposes to eliminate Section 108 Loan Guarantees. This program allows cities to borrow against future CDBG entitlements to undertake major multi-year development. For FY85, the Congress enacted a $225 million limitation on the amount of loan guarantee commitments.

Urban Homesteading

The budget for FY86 proposes an appropriation of $12 million, equal to the FY85 level. This money will be available only for single family properties in FY86. The feasibility demonstration to assist state and local governments in purchasing one to four-family properties will be carried out in FY85 but will be discontinued in FY86. The number of cities anticipated to participate in this program in FY86 is 141, 10 more than in FY85.

Section 312

The FY86 budget proposes to terminate Section 312 loans, which are used for rehabilitating single family and multi-family residential properties and non-residential properties. HUD estimates that $130 million in carryover balances, loan repayments and other program income will be available for new loan obligations in FY85. In addition, HUD again proposes to transfer the assets and liabilities of the 312 program to the Revolving Fund (Liquidating Programs).

Policy Development and Research

HUD proposes a $19 million appropriation for this program in FY86. This is a $2 million increase over the FY85 appropriation of $17 million. The program will continue to focus on improving the efficiency, effectiveness, and equity of HUD programs and on identifying ways of achieving cost reductions.

Fair Housing

The FY86 budget requests an appropriation of $10 million for HUD's new "Fair Housing Initiatives Program" (FHIP). This new program, which will require authorizing legislation, would complement HUD's present Fair Housing Assistance Program (FHAP). The total FY86 request for the two programs is $15 million, an increase of $8.3 million from the FY85 level. If authorizing legislation for the new program is not enacted by January 1, 1986, the budget proposes that the FHAP funding level be increased by $1.7 million above the FY85 level of $5 million.

As part of HUD's efforts to address housing discrimination problems, the new program is designed to provide a comprehensive and coordinated approach to obtain better enforcement of fair housing laws and to assist outreach and education programs which provide information concerning rights and obligations under these laws. The three major components of the program are: Administrative Enforcement and Compliance, Education and Outreach, and Private Enforcement.

Housing Counseling

The FY86 budget proposes to discontinue the Housing Counseling Assistance program. However, HUD would continue to certify and/or recertify local public and private nonprofit agencies that provide HUD-approved housing counseling. The FY85 appropriation is $3.5 million which provides for a comprehensive housing counseling services program. The program includes pre-occupancy counseling for potential homeowners or tenants and mortgage default and rental delinquency counseling.

Neighborhood Reinvestment Corporation

The Administration is seeking $14.6 million for the Neighborhood Reinvestment Corporation, as opposed to the $15.5 million provided in the FY85 appropriation. The major activities of this independent agency include the provision of technical services to and the establishment and expansion of Neighborhood Housing Services programs and Apartment Improvement programs in older, declining residential neighborhoods. It also supports neighborhood preservation projects and the replication of successful neighborhood preservation projects. None of these funds may be used for the capital costs of a demonstration program with mutual housing associations.

COMMUNITY DEVELOPMENT PROGRAMS BUDGET AUTHORITY
(dollars in millions)

	FY81	FY82	FY83	FY84	FY85	PROPOSED FY86
CDBG Appropriations	$3,694.6	$3,456.0	$4,456.0[a]	$3,486.0	$3,472.0	$3,125.0
Section 108Loan Authority Available	300.0	225.0	225.0	225.0	225.0	----
UDAG Appropriations	675.0	474.0	440.0	440.0	440.0	----
Urban Homesteading Properties Conveyed:						
Single Family (1-4 units)						
Number	1,105	796	809	1,519	554	827
Amount	$10.6	$8.76	$9.195	$21.4	$8.0	$12.0
Multi-Family (over 4 units)						
Number	----	----	----	----	15	----
Amount	----	----	----	----	$3.0	----
Appropriations	----	----	$12.0	$12.0	$12.0	$12.0
Section 312						
Appropriations	$5.6	----	----	----	----	----
Loan Reservations	$84.5	$49.4	$44.9	$86.1	$130.0[b]	----

[a] The FY83 appropriations includes $1 billion which was provided in the Emergency Jobs Appropriations Act. Essentially, all of these funds were obligated in FY83, with the balance scheduled for obligation in FY84. Disbursement is expected during FY84 and FY85.

[b] HUD estimates that $130 million in loan repayments and other program income will be avialable in FY85 to fund 6,453 units.

Source: FY86 Budget, U.S. Department of Housing and Urban Development Summary. February 1085.

HOUSING

The FY86 budget for assisted housing proposes a two year moratorium on any additional assistance for lower income housing. This translates into a cut from a FY85 appropriation of $10.8 billion in new budget authority to $499 million in FY86. The total number of households assisted through the HUD programs would be capped at the estimated FY85 level -- no more than 4.1 million. The FY85 budget, by contrast, is expected to provide assistance to over 90,000 households not currently receiving federal housing subsidies.

Highlights of the FY85 budget proposals in housing include:

- No incremental housing assistance units of any kind in either FY86 or FY87. This includes the housing voucher program, Section 8 Existing Housing Certificates, the Section 202 program for elderly and handicapped, public and Indian housing programs, Rental Rehabilitation Grants and Housing Development Grants.

- Repeal of the Housing Development Grant program authorized in the Housing and Urban Rural Recovery Act of 1983 to provide assistance for new construction and rehabilitation of rental housing units through direct grants to local and state governments.

- A freeze on fair market rents under Section 8 existing housing and vouchers at FY85 levels, and a 10 percent cut in the fees allowed public housing agencies (PHAs) for administering these programs.

Rescissions and Deferrals

The budget proposes a rescission of $253 million in public housing operating subsidy funds from FY85. The budget states that congressional appropriations exceeded actual needs of the Performance Funding System (PFS) through which PHAs receive their operating assistance by this amount. The budget also seeks the repeal of $529 million in authority in the Section 236 program. These funds are being replaced by Section 8 subsidies to the affected tenants. No reduction in actual units is caused by this rescission. However, the period during which tenants would be assured of assistance is shortened by many years through the use of these conversions. HUD has sought and received similar rescissions in recent years.

FY85 Funding Levels

The budget projects that actual unit reservations in FY85 will fall short of congressional appropriations estimates by about 21,300 units. The bulk of this shortfall is accounted for by fewer conversions from Section 236 Rent Supplement projects to Section 8 than projected by the Administration last year. Also, the budget projects that only 11,617 units of Section 202 housing for the elderly and handicapped will be approved in FY85; this is nearly 400 fewer than the 12,000 projected by Congress in the appropriation. The main reason for this is that contract amendment needs to meet higher costs in already approved units are higher than expected.

FY86 Funding Levels

Under the Administration's proposals, no new additional assisted housing units would be made available in either FY86 or FY87. An appropriation of $499 million is requested for 3,500 housing vouchers. These will be used to cover conversions from the Section 8 new construction or substantial rehabilitation program approved in prior years, as well as displacement caused by loss of subsidized stock. In addition, the budget includes funding for 5,000 vouchers for use in connection with HUD's property disposition program; 5,000 for loan management activities; and 1,000 for conversions from the Section 23 Leased Housing Assistance program.

The Administration is also proposing the elimination of the housing programs of the Farmers Home Administration (FmHA) of the Department of Agriculture, which provides assisted housing in rural areas of the country. The HUD budget includes a recommendation that starting in FY88, when the Department's housing programs would once again be funded, 50 percent of HUD's commitments be allocated to rural areas. This is intended to compensate for the loss of FmHA resources. Approval of this proposal would cut future low income housing assistance in urban areas to less than half of the FY85 FmHA-HUD total.

Under the budget proposals, Fair Market Rents under Section 8 Existing Housing and vouchers would be frozen at the FY85 levels. In addition, PHAs administering the programs would have to absorb a 10 percent cut in the fees they receive for administrative costs in running the programs. This will preclude the kind of support and assistance which the President's 1981 Housing Commission regards as essential to the success of the voucher program.

Section 202 Housing for the Elderly and Handicapped

The budget proposes a two-year moratorium on any new commitments for new construction or substantial rehabilitation through the Section 202 program for the elderly and handicapped.

Public Housing

All new commitments for conventional low rent public housing and Indian housing would be eliminated for FY86. In addition, funding for public housing operating subsidies would be reduced from the current level of about $1.2 billion to $1 billion. Savings would be achieved through freezing all administrative cost functions for PHAs at their FY85 levels, implementing a new "rolling base" for utility consumption under an agreement with the public housing agencies, and instituting a new policy restricting operating subsidy payments for vacant units.

Public Housing Modernization funding would be eliminated almost entirely, with only $175 million in one year capital funding available to meet emergency needs. In FY87, the budget anticipates requesting $761 million in one year capital funding, which the Administration estimates would be equivalent to the $1.5 billion long-term capital financing provided by Congress in FY85. (In the past, modernization has been financed through amendments to existing Annual Contributions Contracts with PHAs. These amendments

obligated HUD to pay the interest and principal on local tax-exempt bonds to finance the repair work. The budget proposes shifting this financing to one year direct capital grants. However, in FY86 this is accompanied by a virtual elimination of funding for the program.)

Rental Rehabilitation Grants

Although the Administration fought for three years to get Congress to adopt the Rental Rehabilitation Program in 1983, it seeks no funding under the program for the next two fiscal years. In FY85, local and state governments will receive $150 million to subsidize the rehabilitation of 30,000 units.

Housing Development Grants (HODAG)

The FY86 budget seeks the repeal of the HODAG program.

The Housing Development Grant (HODAG) program was authorized in 1983, and $315 million was appropriated for use in FY84-85. The program provides direct, discretionary grants to local and state governments to leverage private investment in rental housing. At least 20 percent of the units must be occupied by low income tenants at rents not exceeding 30 percent of 50 percent of the area median income.

Emergency Assistance of the Homeless

The HUD budget contains no funding request for aid for the homeless. In addition, the budget request for the Federal Emergency Management Agency (FEMA) seeks no additional funding for its program of emergency food and shelter assistance. The FEMA program received $70 million in FY85 appropriations.

The following table provides a comparison of assisted housing levels from FY80 to FY86, including adjustments in the FY85 appropriations levels to reflect the FY86 budget estimates.

FEDERAL HOUSING PROGRAM LEVELS, FY81-FY86
(dollars in millions)

	FY81	FY82	FY83	FY84	FY85	PROPOSED FY86
Section 8						
Section 202/New Construction/Substantial Rehabilitation Units	73,861	27,527	14,000	14,277	11,617	----
Moderate Rehabilitation Units	24,981	8,309	15,000	7,074	5,000	----
Existing Housing Units	85,289	97,570	67,146	53,913	37,500	----
Conversion/Prop. Disp./Loan Management Units	----	----	75,000	61,848	32,000	11,000
Housing Vouchers, Units	----	----	----	14,104	40,849	3,500
Public Housing Units	36,370	12,136	2,000	5,212	5,000	----
Public Housing Modernization Funds	$50	$90	$125	$80.6	$86.2	$175
Public Housing Operating Subsidies	$1,200	$1,494	$1,350	$1,203	$1,240	$1,000
Section 202 Units	15,166	16,038	14,000	14,277	11,617	----
Housing Development Grants, Units	----	----	----	----	16,000	----
Rental Rehab Program, Units	----	----	----	29,000	31,000	----
TOTAL UNIT RESERVATIONS, ALL PROGRAMS	220,501	145,542	173,146	185,408	178,966	14,500

[a] All Sec. 202 units are subsidized through Sec. 8, and are included in the totals for Sec. 8 new construction/substantial rehabilitation.

[b] All units under this category will be made available through the Sec. 202 program for the elderly and handicapped.

[c] Does not include 2,500 units of Indian housing.

[d] All units in this category receive vouchers or Sec. 8 Existing Certificates.

Source: FY86 Budget Summary, HUD, February, 1985; FY85 Budget Summary, HUD, February, 1984; FY84 Budget Summary, HUD, January 1983; FY83 Budget Summary, HUD, February, 1982; House Report 97-980, December 1982.

DEFENSE

The FY86 defense budget proposes a dramatic increase over last year's levels. For FY86, the Administration has requested $322.2 billion in budget authority for the National Defense category, up from $292.6 billion in FY85. The Administration's request represents a $29.6 billion increase over FY85 funding levels, or 10.1 percent in current dollars. The Administration's proposed national defense outlays of $285.7 billion for FY86 are $151.7 billion more than FY80 national defense outlays. In constant dollars, these outlays have increased just over 50 percent between FY80 and FY86.

Between FY86 and FY90, the Administration is requesting $1.8 trillion for national defense outlays. Combined with increases since FY80, this would bring defense spending during the 1980s to roughly $3 trillion. Between 1980 and 1990, outlays for national defense will rise over 90.5 percent after adjusting for inflation.

For the Defense Department alone, budget authority would rise from $284.7 billion in FY85 to $313.7 billion in FY86, up $29 billion over 1985, or 5.9 percent real growth. Actual Defense Department outlays in FY86 would be $277.5 billion, up $31.2 billion from 1985 levels, or 8.3 percent after inflation. When measured in constant dollars, this would bring FY86 Defense Department outlays to their highest level in any year since 1946, including the peak spending years of the Korean and Vietnam wars.

The national defense share of federal outlays has grown significantly since the Administration took office, rising from 22.7 percent in FY80 to 29.3 percent in FY86. By 1990, national defense will claim 36 percent of all federal outlays. The national defense share of the Gross National Product (GNP) has also risen from 5.2 percent in FY80 to a 6.8 percent share projected for FY86.

In addition to this significant increase, the Defense Department intends to request a $2.2 billion supplemental appropriation for FY85 that would primarily cover pay increases.

- The fastest growing part of the defense budget continues to be the investment accounts: research, development, and procurement of strategic and conventional weapons, along with military construction. Investment has increased sharply, up from 35.9 percent of FY80 budget authority to 48.8 percent in FY86. By 1990, investment will equal 51.7 percent of the Pentagon budget, according to Defense Department forecasts.

  A current dollar breakdown by area of increases in the investment account includes: procurement of strategic and conventional weapons (up 10.3 percent from FY85); research and development (up 24.8 percent); and military construction (up

29.1 percent). Operations and maintenance spending (up 5.5 percent) and personnel costs (up 7.3 percent) are growing far more slowly than investment, and their share of total defense spending is falling. In FY80 operations and maintenance represented 32.5 percent of budget authority. By 1986, operations and maintenance will drop to 26.3 percent. There will be pressure in future years to increase operations and maintenance spending in order to service the growing number of new weapons systems.

- Since 1980, strategic weapons have been the fastest growing part of the defense budget. The 1980 total of $9.4 billion in budget authority for strategic weapons alone (exclusive of related personnel costs) has shot up to $38 billion in FY86. The key programs for FY86 (in budget authority) for this category are: the B-1 bomber (6.2 billion), the MX missile ($4 billion), the Trident II missile ($2.9 billion), the Trident submarine ($1.8 billion), and the Midgetman missile ($624.5 million).

- Most significantly, the Strategic Defense Initiative (SDI) or "Star Wars," will be a cornerstone of the Administration's strategic weapons effort. The Administration proposes a 66 percent increase in spending for "Star Wars" and is asking Congress for $3.7 billion in FY86 budget authority. Another $282 million for "Star Wars" research is included in the Department of Energy budget. The Pentagon budget projects $4.9 billion for SDI in FY87.

- Spending on all Defense Department research and development will rise $7.8 billion in budget authority over last year's level, to $39.3 billion in FY86. This represents the largest research and development increase since the Administration took office; stepped-up "Star Wars" funding is partly responsible for this surge.

- The Air Force (up 10.2 percent) would receive the major share of the growth in budget authority. The Navy (up 8.6 percent) and Army (up 9.8 percent) continue to grow more slowly. The major growth in Air Force and Navy budget authority comes from procurement funding. The Air Force's FY86 budget request totals $110 billion. Of this, $46.6 billion is for procurement. The two major weapons the Air Force is requesting are the B-1 bomber ($6.2 billion) and the MX missile ($4 billion). Other high-cost items on the Air Force list include the F-15 Eagle fighter ($2.2 billion), the F-16 Falcon ($3.7 billion), the C-5 transport plane ($2.4 billion), and the Patriot missile ($1.2 billion).

  The Navy's major proposed purchases for FY86 are the Trident submarine ($1.8 billion), the Trident II missile ($2.9 billion), the F-18 fighter ($2.9 billion), the Aegis cruiser ($2.8 billion), the SSN-688 Attack Submarine ($2.8 billion), the F-14 fighter ($1.2 billion), and the sea-launched cruise

missile ($848 million). Navy procurement plans for FY86 total $37.43 billion of the $104.8 billion total Navy budget.

The Army's proposed $81.7 billion budget includes $21.4 billion for procurement. Major items to be purchased this year include: the AH-64 attack helicopter ($1.4 billion), the M-1 tank ($2.2 billion), the Bradley Fighting Vehicle System ($1.1 billion), and the controversial Pershing II missile ($334.7 billion).

- General purpose (conventional) forces are scheduled to grow this year at a rate of 9.5 percent. These funds maintain 18 active Army divisions, 3 active duty Marine divisions, 25 Marine air squadrons, 65 Navy fighter air squadrons, 79 Air Force fighter squadrons, and 542 deployable Navy ships.

- Spending is increasing significantly for intelligence and communications (up 11.2 percent), airlift and sealift (up 14.3 percent), guard and reserve forces (up 7.6 percent), and research and development (up 23.6 percent). Considerable strategic spending is to be found in the communications and research categories, reflecting the recent strategic buildup.

- The uncontrollable part of Pentagon outlays (money that cannot be cut because it is firmly tied to contracts signed in past years) continues to rise. "Uncontrollable" outlays increased from 27.2 percent in FY80 to 38.2 percent in the FY86 budget proposal. If current trends continue, the portion of the defense budget that will be beyond any administration's ability to control will jump to roughly 40 percent by 1989.

- The Defense Department also has a growing backlog of unexpended and unobligated funds from appropriations in previous years. This "backlog" is being spent largely on new weapons. This reservoir of funds has grown from $92 billion at the end of FY80 to an estimated $279.6 billion at the end of FY86.

- Although the Defense Department has said that it will buy weapons at an economically efficient rate, it continues to "stretch out" the rate at which it is buying new weapons. As the Pentagon reduces the number of new weapons it is buying each year below earlier forecasts, the price of each weapon rises, leading to higher costs in the future. The cost of one year's order of weapons goes down, but the total cost for the program is more than it would have been as inflation and inefficiencies drive prices up.

- In FY86, the Pentagon will stretch out, or produce numerous weapons systems at substantially lower rates than previously projected. These include: the Bradley Fighting Vehicle System, a combination tank/armored personnel carrier; and the F-14, F-15, F-16 and F-18 fighter planes.

DEPARTMENT OF DEFENSE
BUDGET AUTHORITY AND OUTLAYS
(dollars in billions)

	Budget Authority	Outlays
FY85	$284.7	$246.3
FY86	$313.7	$277.5
FY85 - FY86		
Total Increase	$29.0	$31.2
Percentage Growth		
Current dollars	10.2%	12.7%
Constant dollars	5.9%	8.3%
FY80 - FY86		
Total Increase		
Current dollars	$173.0	$146.5
Percentage Growth		
Current dollars	123.0%	112%
Constant dollars	NA	49.2%
FY86 - FY88		
Projected Increase	$87.9	$71.1
Percentage Growth		
Current dollars	28.0%	25.6%
Constant dollars	17.8%	15.1%

Sources: OMB, Budget of the United States Government FY86, February 4, 1985; OMB, Historical Tables, Budget of the U.S. Government FY86, February 4, 1985; DOD Comptroller, "Department of Defense Deflator Tables," February, 1985.

ECONOMIC AND BUSINESS DEVELOPMENT

The Administration's FY86 proposals include the elimination of the Economic Development Administration, the Small Business Administration, and the U.S. Travel and Tourism Administration. A new Administration for Enterprise Development and Opportunity, combining many of the functions of SBA and the Minority Business Development Agency, would be created within the Department of Commerce.

The termination of SBA's financial assistance programs is part of the Administration's effort to reduce the federal government's role as a direct partner in business development. The Administration's business development program seems to rely primarily on its efforts to stabilize financial markets, reduce inflation and interest rates, and eliminate regulations.

The Administration again proposes the establishment of enterprise zones. Up to 25 small areas would be designated enterprise zones each year for three years and then would be eligible for a variety of tax incentives intended to encourage economic redevelopment in the zones. The Conference of Mayors supports this effort.

ECONOMIC DEVELOPMENT ADMINISTRATION

ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS
Budget Authority
(dollars in millions)

	FY81	FY82	FY83	FY84	FY85	PROPOSED FY86
Planning	$23.9	$24.7	$24.8	$27.0	$27.0	---
Technical Assistance	26.3	8.2	7.4	8.0	8.0	---
Development Grants	273.3	129.9	229.9	170.9	149.0	---
Economic Adjustments	12.6	33.0	32.9	33.0	33.0	---
Direct Loans	54.1	---	---	---	---	---
Loan Guarantee Payments	32.0	---	---	---	---	---
Research & Evaluation	2.7	1.6	2.0	2.0	9.0	---
Total Obligations	$424.9	$197.6	$297.2	$240.0	$226.0	---

Source: U.S. Budget, Appendix, FY81, FY82, FY83, FY84, FY85, FY86.

The Administration once again proposes to terminate the Economic Development Administration (EDA) by requesting no additional program funds in FY86. In FY85, $226 million was appropriated for EDA's activities. The budget requests $14.5 million in administrative funds for FY86 to monitor past grants and close down EDA during the year. The Administration has proposed a rescission of $179 million to terminate EDA's assistance programs in FY85.

The Administration has proposed terminating EDA in the past four budgets. Congress has responded by providing funding at levels greatly reduced from previously authorized levels.

INTERNATIONAL TRADE ADMINISTRATION

The International Trade Administration (ITA) of the Department of Commerce has responsibilities for trade development, international economic policy, trade administration, and the U.S. and Foreign Commercial Service. Budget authority requested for ITA in FY86 is $171 million, down approximately 13 percent from $195.7 million in FY85. The Administration proposes a rescission of $18.7 million out of a FY85 budget of $25 million for the Trade Adjustment Assistance (TAA) program which provides loans and guarantees to help firms adjust to import competition. The TAA program is proposed for elimination in FY86.

An increase of $6 million is requested in FY86 for trade administration (export enforcement and administration programs) to consolidate multiple licensing programs and various export license applications, and to design, develop and implement a comprehensive automatic support system for the export control program. An increase of $4 million is proposed for export enforcement, to strengthen field operations and open new field offices.

MINORITY BUSINESS DEVELOPMENT AGENCY

With the proposed elimination of the Small Business Administration and Economic Development Administration, the Minority Business Development Agency (MBDA) is to be renamed the Administration for Enterprise Development and Opportunity (AEDO). Its goals would be to increase business opportunities and encourage the creation and expansion of competitive small and minority businesses. AEDO would consist of the minority business development programs currently within MBDA and the programs proposed to be transferred from the Small Business Administration.

MBDA's current activities fall into three major categories: enterprise development (which includes the Minority Business Development Centers (MBDCs) within approximately 100 metropolitan areas); resource development (which promotes public and private support for minority businesses); and advocacy, research and information (which promotes research and information systems for minority businesses). In the proposed FY86 budget, the amounts proposed for resource development ($5.5 million) and advocacy ($3 million) are reduced slightly. Federal funding for enterprise development is proposed to be reduced 12 percent ($36.2 million in FY86 from $41.2 million in FY85). The difference in federal funding is planned to be offset by consolidating MBDC operations in selected metropolitan areas.

Total FY86 budget authority proposed for current MBDA activities is $44.8 million; MBDA was at $49.8 million in FY85.

SMALL BUSINESS ADMINISTRATION

The Small Business Administration (SBA) is proposed for termination in FY86. The following program activities would be transferred to the Department of Commerce: procurement assistance; innovation research and technology; minority business and capital ownership development; advocacy; and the Service Corps of Retired Executives. The Treasury Department would assume, service and liquidate SBA's current loan portfolio. All of SBA's existing direct and guaranteed loan programs are proposed for termination. The budget, however, does not address the future of SBA's field offices.

Both direct and guaranteed loans to businesses would be eliminated and guaranteed loan availability to local 503 certified development corporations, Small Business Investment Companies (SBICs), and Minority Enterprise Investment Companies (MESBICs) are also proposed for termination.

SMALL BUSINESS ADMINISTRATION'S SHARE OF DIRECT LOAN LEVELS
Budget Authority
(in millions of dollars)

	FY84	FY85	PROPOSED FY86
General business loans	89.7	108.0	---
Handicapped loans	16.0	24.0	---
Economic opportunity loans	18.4	45.0	---
Energy loans	.3	3.0	---
Development company loans	---	5.0	---
Veterans loans	19.7	25.0	---
Minority Enterprise Small Business Investment Company loans	37.5	47.0	---
Total direct loans	181.7	257.0	---

Source: U.S. Budget, Appendix, FY86, p. I-W4.

SMALL BUSINESS ADMINISTRATION'S SHARE OF GUARANTEED LOAN LEVELS
Budget Authority
(in millions of dollars)

	FY84	FY85	PROPOSED FY86
General business loans	2,464.2	2,650.0	---
Handicapped loans	.4	5.0	---
Economic opportunity loans	41.2	60.0	---
Energy loans	1.4	15.0	---
Development company loans	348.3	450.0	---
Investment company loans	159.8	265.0	---
Total guaranteed loans	3,015.5	3,445.0	---

Source: U.S. Budget, Appendix, FY86, p. I-W4.

The National White House Conference on Small Business is still planned for FY86 with funding proposed at $1 million.

U.S. TRAVEL AND TOURISM ADMINISTRATION

In FY86 the Administration proposes to terminate the U.S. Travel and Tourism Administration within the Department of Commerce. This agency has responsibility for promoting international travel to the United States. In FY85 the agency received $12 million. The Administration requests $4 million in FY86 to close out the agency's domestic and overseas operations.

EDUCATION

The Administration is requesting $15.5 billion in FY86 budget authority for programs under the Department of Education. This is $2.9 billion less than the estimated FY85 appropriation level of $18.4 billion. The major portion of this reduction is in a proposed $2.3 billion cut in postsecondary programs providing student financial assistance and guaranteed student loans. This reduction would be accomplished primarily through proposals to: (1) raise the eligibility criteria on family income for guaranteed loans; (2) reduce the total amount of federal subsidy available to each student; and (3) raise the amount students must contribute to their education costs.

The remaining cuts are proposed for migrant, handicapped and bilingual education; impact aid; special programs; developing institutions of higher learning; and research and general education aids.

The Administration again is proposing legislation to: (1) institute a system of tuition tax credits; and (2) allow states and localities to use an optional voucher system to provide compensatory education services.

Elementary and secondary education would receive 46 percent of the proposed budget with postsecondary education allocated 42 percent; this compares to 40 and 49 percent, respectively, in FY85. The remaining 12 percent would support programs in special categories.

Compensatory Education

The FY86 request of $3.6 billion in budget authority for compensatory education for disadvantaged students is $49 million below the FY85 appropriation level, with $42 million less proposed for state grants for migrant children. A voucher system, to be adopted at the discretion of state or local education agencies, is again proposed for these services.

Special Programs

A total of $648 million is requested in FY86 budget authority for Special Programs, with the major portion -- $500 million -- proposed for level funding of state block grants for improving schools. Overall funding of Special Programs is proposed at $110 million under the FY85 level. The Administration proposes an elimination of the magnet schools program in FY86, as well as a rescission of the $75 million appropriated for this purpose in FY85.

Tuition Tax Credits

Again this year the Administration will propose legislation for a tuition tax credit for parents who choose to send their children to private elementary and secondary schools which are non-profit and do not

discriminate on the basis of race, color or national origin. The credit is intended for lower and middle income families, with full credit phased out for those families with an adjusted gross income over $40,000, and would not be available to those with an income of $60,000 or more.

This initiative would be phased in over a three year period. Parents could claim a maximum credit per child of $100 in 1985, $200 in 1986 and $300 in 1987 and beyond. The cost in lost revenue is estimated to be about $359 million in 1986, $630 million in 1987, and $885 million in 1988. Conference of Mayors' policy opposes tuition tax credits because of their potential to weaken the nation's public school systems.

Impact Aid

Impact Aid compensates public school systems for loss of property tax revenue due to the presence of federal facilities. In FY86, $543 million in budget authority is requested; the FY85 appropriations level was $695 million. Payment is requested in FY86 for "A" category children who live on federal property and have parents who work on federal property or are in the military. No request is made for the "B" children who have either, but not both, attributes because the Administration believes that the presence of these children imposes little or no burden on most districts.

Bilingual Education

The FY86 request for $143 million in budget authority for bilingual education is $30 million less than FY85. This is due to the Administration's proposal to eliminate funds for Emergency Immigrant Education. A rescission in the same amount is requested for FY85. The Administration states that services under other education programs will be sufficient to assist these children.

Education of the Handicapped; Vocational and Adult Education

The FY86 request for $1.3 billion in budget authority for education of the handicapped is $15 million under the FY85 appropriation level. Most of the proposed reduction is due to an $11 million cut in special education personnel development.

Level funding of $838 million is requested for vocational education in FY86.

Student Financial Assistance

The Administration is proposing $2.3 billion (27 percent) less for student financial assistance in FY86, requesting $3.6 billion for Direct Student Assistance and $2.7 billion for Guaranteed Student Loans. This request, part of a continuing effort to make parental and student contributions the base for meeting college costs, is accompanied by major proposed changes regarding eligibility and maximum amounts available as follows:

- No student could receive more than $4,000 per year from combined awards financed by the Education Department;

- Students from families with adjusted gross incomes above $25,000 (approximately the national median) would not qualify for grants, direct loans or subsidized jobs;

- Students from families with adjusted gross incomes above $32,500 would not qualify for loans that are both directly subsidized and guaranteed. (Under current law, about 30 percent of such loans go to students with family incomes above this level);

- All students would have to contribute $800 toward their education to qualify for federal aid;

- Rules would be tightened regarding independent student status;

- New procedures in the Pell grant program would be implemented for application validation and quality control to reduce errors in awarding these funds;

- A high school diploma or equivalent would be required of any student receiving federal assistance.

In FY86, the Administration is requesting $2.7 billion for Pell Self-Help Grants, $884 million under FY85. No request is made for Supplemental Opportunity Grants, Work Study or new Direct Student Loans. However, $850 million is proposed in FY86 for Work Study Grants. This would combine supplemental and work study distributions, which are now separate.

Later in calendar year 1985 the Administration will propose to replace, in 1987, all current student aid programs, with a single state grant program. The Guaranteed Student Loans would be excepted from this proposal.

Educational Savings Account

The Administration is proposing that families earning under $60,000 per year be allowed to save in special tax free accounts a maximum of $1,000 per child per year for future education expenses. This maximum amount will be reduced five cents for each dollar that the taxpayer's adjusted gross income exceeds $40,000, up to the cutoff of $60,000. If enacted, the proposal is scheduled to become effective January 1, 1986 and result in lost tax revenues of $75 million in 1987.

EMPLOYMENT AND TRAINING

The Administration has requested $2.805 billion in the FY86 budget for the Job Training Partnership Act (JTPA) program, almost a $1 billion reduction from the 1985 level of $3.682 billion. The Job Corps program would be eliminated and funds for the Summer Jobs program for disadvantaged youth and the Dislocated Worker program would be cut.

The Administration proposes to begin now to reduce spending for summer jobs and dislocated workers by rescinding $244.5 million appropriated for these activities in the 1985 program.

The Administration will also seek to totally dismantle other non-JTPA employment and training programs such as the Work Incentive (WIN) program for Aid to Families with Dependent Children (AFDC) recipients, the Trade Adjustment Assistance (TAA) program for workers adversely affected by foreign imports, and the expiring Targeted Jobs Tax Credit (TJTC) program. The proposal suggests that persons eligible for these programs can seek refuge in JTPA, which at current levels only has the capacity to serve from two to three percent of those eligible.

BASIC TRAINING PROGRAMS

The proposed spending level for JTPA's basic training component (Title IIA) in FY86 is unchanged from the FY85 level of $1.886 billion. This amount is distributed in grants to governors, who then distribute 78 percent of their allotments to local governments and private industry councils (PIC). Of the amount the service delivery areas receive, 40 percent must be spent on services to youth.

YOUTH PROGRAMS

Programs for economically disadvantaged youth -- the Job Corps and the Summer Youth program -- would bear the brunt of the reductions in the President's budget for the Department of Labor.

The Summer Youth Employment Program (SYEP) would be reduced by $100 million from an already appropriated level of $824 million for the coming summer (1985). For the Summer of 1986, the President's request for the jobs program is an even lower $664.5 million. The Administration's rationale for the proposed rescission and program cuts is based on the existence of $240 million in unspent money at the end of last summer's program. However, a good portion of those funds went unspent because local governments and PICs did not receive them until August 1984 for programs that ended in August or September.

The Administration will again submit to Congress its proposal for a subminimum wage for youth in an attempt to increase employment opportunities.

Fc. FY86, no funding is requested for the Job Corps, which has a $600 million appropriation for FY85 and serves 43,000 youths at any one time, and many thousands more in a year. The Administration proposes closing all Job Corps centers by June 30, 1986. The program houses many urban youths in residential training centers around the country.

DISLOCATED WORKERS

A rescission is proposed for more than half ($120 million) of the funds already appropriated for the JTPA Dislocated Worker program for FY85. This would leave the FY85 funding level at $102 million. The Administration's request would also rescind $25 million from the Trade Adjustment Assistance (TAA) program, totally dismantling a program designed to serve unemployed workers who are adversely affected by foreign imports. For FY86 the Administration requests $100 million for the JTPA dislocated worker programs and suggests that persons eligible for the TAA program can be served under the JTPA dislocated worker program. Underspending again is cited as the reason for the reductions.

NATIONAL PROGRAMS

For other activities funded through JTPA that are administered directly by the U.S. Department of Labor rather than funneled through states, the FY86 budget contains $154.8 million, a reduction of $27.8 million from FY85 levels. The reduction reflects the Administration's decision not to seek funding for certain training and technical assistance activities to local program operators, or for pilot and demonstration projects funded at the federal level.

The federally-administered veterans, Native American, and migrant and seasonal farmworker programs would remain at FY85 funding levels under the proposal.

OTHER TRAINING PROGRAMS

The WIN program is again slated for elimination with a one-year phase-out of this separate categorical program which is designed to help AFDC recipients find jobs.

The Community Service Employment Program for older workers would remain at the FY85 level of $326 million. This jobs program is authorized under Title V of the Older Americans Act.

The Targeted Jobs Tax Credit program, which provides a tax incentive to employers for hiring workers from certain target groups, is due to expire December 31, 1985. The Administration requests no funding for the program for FY86 and does not plan to seek a reauthorization of the program.

THE PROGRAM YEAR

JTPA established a nine-month forward-funding mechanism by creating a program year period which begins July 1 and ends June 30. The FY86 budget for JTPA is for expenditures that will begin on July 1, 1986, and run

through June 30, 1987. The requested rescissions are for program year 1985 which begins July 1, 1985, and ends June 30, 1986.

The figures discussed above are in accordance with the fiscal year cycle rather than the program year cycle, since the JTPA budget request must be in line with the fiscal year utilized for all federal budget requests. However, the Administration's budget request does recognize the program year.

EMPLOYMENT AND TRAINING AUTHORITY
FY81 - FY86
(dollars in millions)

	FY81	FY82	FY83	FY84[a]	FY85	PROPOSED FY86	PERCENT CHANGE FY81-86	PERCENT CHANGE FY85-86
Basic Training[b]	3,902	1,575	2,181	3,301	1,886	1,886	(51.0)	----
Summer Youth[c]	----	675	725	1,549	825	665	NA	(19.4)
Job Corps	561	583	622	1,014	616	----	(100.0)	(100.0)
Dislocated Workers[d]	----	25	135	343	235	100	NA	(57.0)
National Programs[e]	782	263	321	428	220	218	(72.0)	(12.0)
Public Service Employment	2,606	----	----	----	----	----	(100.0)	----
TOTAL	7,851	3,121	3,984	6,635	3,682	2,869	(63.3)	(22.0)
TOTAL, minus PSE	5,245	3,121	3,984	6,635	3,682	2,869	(45.0)	(22.0)

[a] These levels reflect budget authority for 21 months rather than 12 months. This extended funding was necessary to put the JTPA system on the program year cycle.

[b] Figures for FY81 through FY83 represent CETA programs that are comparable to JTPA basic training programs. For FY81 this figure reflects the inclusion of all locally operated employment and training programs in a block grant.

[c] The figure for FY81 is included in the basic training block grant. For FY85 the Administration would rescind $100 million from the level shown.

[d] The figure for FY82 reflects amounts authorized under the Trade Adjustment Assistance Act. FY83 through FY86 reflect authority under JTPA. For FY85 the Administration would rescind $120 million from the level shown.

[e] These figures include programs for Native Americans, migrant and seasonal farmworkers, and veterans, as well as funds for technical assistance and information. The FY81 figure includes amounts for dislocated workers under TAA.

Source: Budget of the United States Government, Fiscal Years 1983, 1984, 1985, 1986.

ENERGY

The proposed FY86 budget for the Department of Energy (DOE) calls for curtailment or sharp reductions in energy programs important to the cities. The Administration maintains that market forces work to produce the desired results under this policy, asserting that "it is not necessary to have substantial federal spending to meet our national energy needs."

In accordance with this policy, the President's budget proposal for FY86 continues to cut funds from energy programs (other than defense), as it has in recent years. DOE's atomic energy defense activities are increased under the proposal from $7.4 billion in FY85 to $8.1 billion in FY86. Overall, the DOE budget is reduced about $2 billion, from $14.3 billion last year to $12.4 billion in FY86. The decrease is partially due to an indefinite moratorium on further development of the strategic petroleum reserve. Among the programs of consequence to cities: conservation is cut by 18 percent from the FY85 level, state and local assistance programs by 88 percent, solar and other renewables by 17 percent, and fossil energy by 30 percent.

CONSERVATION

In the area of energy conservation, the FY86 budget request continues the downward trend begun in 1981. This year's proposal is $176.1 million, down from the $459.1 million level of FY85.

Energy conservation programs at DOE include: (1) energy conservation research and development (R&D); and (2) state and local assistance, or conservation grants.

The R&D program supports development of methods to use energy more effectively in buildings, transportation and industrial processes. The budget seeks to complement private sector efforts and avoid subsidizing future private efforts; it proposes $145 million in budget authority for the R&D program in FY86, a reduction of $31 million from FY85.

The state and local government energy grant program is for weatherization of school buildings, hospitals, and homes of low-income families. The Administration proposes a phase-out of these programs over the next five years. Responsibility would be shifted to charitable organizations and state and local governments for the low-income weatherization program; as for schools and hospitals, the budget document claims that they "have incentives to undertake these investments without federal assistance."

DEPARTMENT OF ENERGY BUDGET AUTHORITY
(dollars in millions)

	FY81[a]	FY82[b]	FY83[b]	FY84[c]	FY85[d]	PROPOSED FY86[d]
Energy Research and Development	$4,033	$2,732	$2,334	$2,329	$2,754	$2,540
Fossil Energy	994	418	218	330	----	347
Solar & Other Renewables	1,048	295	253	213	210	147
Environmental Research	230	214	225	219	231	229
Magnetic Fusion	394	447	453	472	437	390
Nuclear Energy	1,051	1,088	877	700	416	372
Supporting Research and Technical Analysis	316	270	309	395	508	526
Conservation and State/ Local Assistance	430	388	410	533	459	180
Defense	3,690	4,737	5,700	6,718	7,356	8,061
Other	4,304	4,760	3,035	1,801	3,939	1,813
TOTAL	$12,457	$12,617	$11,480	$11,381	$14,332	$12,449

[a] U.S. Department of Energy, Briefing Document, January 1982.

[b] Budget of the U.S. Government, FY84, Appendix, January 1983; U.S. Department of Energy, FY84 Budget Highlights, January 1983.

[c] Budget of the U.S. Government, FY85, Appendix, January 1984; U.S. Department of Energy, FY85 Budget Highlights, February 1984.

[d] Budget of the U.S. Government, FY86, Appendix, January 1985; U.S. Department of Energy, FY86 Budget Highlights, February 1985.

Even for the five years of phase-out, no general funds will be requested. Instead, the Administration will submit legislation to Congress to finance the low income weatherization and schools and hospitals programs with funds recovered by the federal government from petroleum pricing violations under the old oil price control program, where the overcharged customers cannot be identified and repaid. The amount proposed for these programs in FY86 is $191 million. The proposed legislation also would use the petroleum overcharge fund to finance the low income energy assistance program at the Department of Housing and Human Services.

Legislation to this effect was submitted by the Administration last year, but Congress did not consider it. Instead, Congress appropriated $283 million for state and local assistance. The Conference supports returning overcharge funds to consumers, and funding conservation programs from general funds.

The budget proposes only $35 million in FY86 for conservation grants, to cover the cost of state planning and extension grants and program administration.

DEPARTMENT OF ENERGY FY86 BUDGET FOR CONSERVATION PROGRAMS
BUDGET AUTHORITY
(dollars in millions)

	FY85	PROPOSED FY86
CONSERVATION RESEARCH AND DEVELOPMENT		
Buildings and Community Systems	$41.3	$37.3
Industrial Energy Conservation	31.9	35.3
Transportation	61.8	43.0
Multi-Sector (Appropriate Technology)	23.3	26.7
Policy and Management	1.7	2.6
Policy Analysis	.2	----
Facilities	15.7	----
Total Conservation R&D	176.0	145.1
STATE AND LOCAL ASSISTANCE	283.1	35.1
TOTAL	459.1	180.2

Source: U.S. Department of Energy, FY 1986 Budget Highlights, February 1985.

ENERGY SUPPLY, RESEARCH AND DEVELOPMENT

The Administration proposes FY86 cuts in virtually all of the energy production technologies which have applications in cities, including clean methods of burning coal and renewable energy systems such as solar, geothermal, and municipal waste-to-energy.

Last year, Public Law 98-473, the 1985 Continuing Resolution, required that $750 million of the $5.4 billion rescinded from the U.S. Synfuels Corporation be placed in a funding reserve for cost-shared construction and operation of facilities to demonstrate clean coal technologies. No funding from this reserve is requested for FY86.

The budget proposal for fossil fuel R&D is $242 million, down 30 percent from last year's $347 million. The largest cut was in the coal program, from $253 million in FY85 to $149 million this year. Coal research includes direct use of coal in an environmentally sound and efficient manner, acid rain-related research, and coal cleanup technologies.

Research in solar and other renewables is slated for a 17 percent cut, down from $210 million in FY85 to $174 million in FY86. This area includes solar heat, photovoltaics, biofuels, wind, ocean thermal systems, and geothermal energy technologies. Electric energy systems and energy storage systems are cut from $40 million last year to $26 million in FY86.

DEPARTMENT OF ENERGY FY86 BUDGET FOR SOLAR AND OTHER RENEWABLES
BUDGET AUTHORITY
(dollars in millions)

	FY85	PROPOSED FY86
Solar Building Energy Systems	9.7	9.5
Photovoltaic	56.6	44.8
Solar Thermal	35.2	28.4
Biofuel	30.8	28.4
Wind	28.9	20.8
Ocean	4.5	3.5
International Solar Energy Program	.5	----
Solar Technology Transfer	6.0	3.1
Solar Energy Research Institute	----	2.3
Program Support	1.0	1.3
Resource Assessment	----	1.0
Program Direction	4.8	4.9
Geothermal	31.8	25.2
Hydropower	.4	.5
TOTAL	210.3	173.7

Source: U.S. Department of Energy, FY 1986 Budget Highlights, February 1985, p. 51.

STRATEGIC PETROLEUM RESERVE

The FY86 budget request proposes an indefinite moratorium on further development of the Strategic Petroleum Reserve (SPR). The Department of Energy has said that the SPR will contain about 489 million barrels of oil by the end of FY85. Though the original proposal for the SPR in 1978 was that it be developed to 750 million barrels, DOE notes that at today's reduced level of energy usage, the 489 million barrels will provide more protection against supply disruption than 750 million barrels would have in 1978. Further, the Administration believes a 1973-type embargo is extremely unlikely, given today's buyer's market. The moratorium will reduce budget outlays for the SPR by $8 billion between 1986 and 1990, if continued for that period of time. In addition, the budget proposes that the $827 million in FY85 funds provided in the SPR Petroleum Account for advance oil orders be deferred. Appropriation for the SPR in FY85 was $2.5 billion.

SOLAR ENERGY AND ENERGY CONSERVATION BANK

Again this year the Administration proposes no funding for the Solar Energy and Energy Conservation Bank. Congress has demonstrated its support for the Bank, appropriating $25 million in FY84 and $15 million in FY85.

ENVIRONMENT

The Administration's proposed FY86 budget in the environmental areas of concern to cities is marked by a mixture of stabilization, growth and retrenchment at the Environmental Protection Agency (EPA) and by the fifth consecutive attempt to eliminate the urban programs of the Department of Interior.

THE ENVIRONMENTAL PROTECTION AGENCY

The budget of the EPA is composed of three central components: the operating budget; the Hazardous Substances Response Trust Fund (Superfund) and the Wastewater Treatment Construction Grants program.

The proposed FY86 EPA budget is characterized by stability on the operating side, significant growth in the Superfund area and retrenchment in the Wastewater Treatment program which is proposed to begin a four-year phaseout.

The Operating Budget

The EPA operating budget is the central tool for the actual implementation of most environmental laws. It includes the basic funds which support the EPA staff as well as most of the funds for pollution abatement, control and enforcement. Included in this category are most grants to cities and states to carry out federal mandates at the local level for a variety of environmental purposes, including the air, water, land and hazardous waste areas.

The proposed FY86 level for the operating budget would be essentially stable, growing 4.5 percent, from $1.309 billion in FY85 to $1.368 billion in FY86. Within this overall category, grants for state and local governments would increase by 5 percent from $265 million in FY85 to $278 million in FY86.

Superfund

The Superfund program is proposed for a substantial increase of 45 percent -- from $620 million in FY85 to $900 million in FY86, with the average annual level for the 1986-1990 period to be $1.1 billion. This is consistent with a general consensus within the Congress and the Administration that large scale increases will be required in order to accelerate the nation's progress in the clean up of hazardous waste dump sites.

The Superfund program expires at the end of FY85 and its reauthorization is expected to be a top environmental legislative priority in the Congress this year. The President announced Administration support for reauthorization in the 1984 State of the Union address, but declined to recommend legislation in 1985, preferring to defer action to this year.

Wastewater Treatment Construction Grants

The Wastewater Treatment Construction Grants program assists cities in building treatment facilities to meet standards under the Clean Water Act. At the beginning of the Administration, it was cut in half to its current authorized level of $2.4 billion. While the proposed level of funding for the Wastewater Treatment Construction Grants program is held flat at the FY85 level of $2.4 billion, the FY86 funding is actually the beginning of a proposed four year phaseout of the program. Legislation is to be forthcoming from the Administration shortly with the phaseout schedule likely to be $1.8 billion in FY87; $1.2 billion in FY88; $600 million in FY89 and zero in FY90. To begin this retrenchment process, grants during the four year phaseout would be limited to projects currently underway. Cities which have not begun construction of particular wastewater projects, often because of reasons related to federal or state government mismanagement, would be frozen out of the program. The Administration notes that "after phaseout, communities will be expected to finance waste treatment facilities for future population growth through market sources with such assistance as state governments may provide."[1]

The needs of localities in the Wastewater Treatment area are well documented. A recent EPA report noted that total costs to meet wastewater treatment needs through the year 2000 are $118.4 billion. The House passed legislation in 1984 would have raised the wastewater program to $2.9 billion in FY85 and to $3.5 billion by FY88, and also establish a loan program of $1.6 billion to supplement the grants program. This was opposed by the Senate, which wanted to keep the program flat at $2.4 billion. It is anticipated that the Administration's forthcoming legislative proposal will include provisions to permit states to turn part or all of the remaining grant funds into a loan program during the four year phaseout period, further inhibiting the ability of cities to meet basic commitments and standards under the Clean Water Act.

ENVIRONMENTAL PROTECTION AGENCY BUDGET AUTHORITY
FY81-FY86
(dollars in millions)

	FY81	FY82	FY83	FY84	FY85	PROPOSED FY86
EPA Operating Budget	$1,353	$1,086	$1,040	$1,172	$1,309	$1,368
State and Local Grants	272	239	233	242	265	278
Wastewater Treatment Construction Grants	1,600	2,000	2,430	2,435	2,400	2,400[b]
Superfund	75	190	210	460	620	900

[a] EPA to propose legislation to phase out wastewater treatment construction grants by 1990. Future proposed budget levels are likely to be: $1.8 billion in FY87; $1.2 billion in FY88; $600 million in FY89 and zero in FY90.

[b] Original FY81 appropriation for wastewater treatment was $3.3 billion. The Administration proposed and Congress accepted a rescission of $1.7 billion.

Source: EPA, Summary of Budget 1985, pp. 2, 4, 74.

DEPARTMENT OF INTERIOR

For the fifth successive year, the Administration seeks no funds for the several Department of Interior programs which can improve the quality of the urban environment. With occasional lapses, Congress has largely resisted these efforts and funded these programs.

Urban Parks

The Urban Parks and Recreation Recovery program is designed to assist distressed cities in rehabilitation of existing park and recreation facilities. Over 300 cities have benefited from the enhancements of the environment, recreation and employment prospects resulting from this program. Last year the Administration sought no funding and Congress concurred. However, the previous year, $40 million had been appropriated under the 1983 jobs bill and some $500 million remains in the program in unappropriated authorizations.

Land and Water Conservation

The Administration seeks the elimination of state and local grants for the Land and Water Conservation Fund (LWCF), which helps communities acquire new properties for environmental and recreational purposes. The LWCF is funded by user fees on federal park facilities. The Administration will be proposing legislation to redirect funds from LWCF to improvements and operations of the National Park Service. Congress has rejected this proposal for two years.

HISTORIC PRESERVATION

The Administration has also proposed the elimination of assistance to states and localities for historic preservation, technical assistance and for the National Trust for Historic Preservation. In previous years this course has been dismissed by Congress, which has supported historic preservation grants as an effective tool for achieving economic, community development and environmental goals.

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1 Budget FY86, pp. 5-45.

DEPARTMENT OF INTERIOR URBAN PROGRAMS BUDGET AUTHORITY
FY81-FY86
(dollars in millions)

	FY81	FY82	FY83	FY84	FY85	PROPOSED FY86
Urban Parks	1[a]	8	40	6.7	----	----
Land and Water Conservation Fund State and Local Grants	159	----	115	75	73.5	----
Historic Preservation	26	25	51	26.5	25.5	----

[a] Original appropriation of $20 million had $19 million rescinded.

[b] Original FY83 appropriations contained zero for Urban Parks, $75 million for the Land and Water Conservation Fund and $26 million for Historic Preservation. The 1983 Emergency Jobs Supplemental Appropriations added $40 million for Urban Parks, $40 million for the Land and Water Conservation Fund, and $24 million to Historic Preservation.

Sources: U.S. Budget, Appendix FY86, pp. IM-41-44.
U.S. Budget, Appendix FY85, pp. IM-40-43.
U.S. Budget, Appendix FY84, pp. IM-32-35.
U.S. Budget, Appendix FY83, pp. IM-36-40.

FISCAL ASSISTANCE

The Administration proposes to eliminate all funding for general revenue sharing in FY86 -- a total of $4.6 billion in budget authority. Since the program is an entitlement program authorized through September 30, 1986, termination of it will require authorizing action.

One quarterly payment would be made after the beginning of FY86, the last appropriated for FY85. This amounts to $1.1 billion in outlays. After that, there would be no further payments.

Also slated to be cut are various payments-in-lieu-of-taxes programs which compensate state and local governments for some of the costs involved with federal land holdings. Payments to states and counties from Forest Service receipts would be cut from $239 million in FY85 to $67 million in FY86. Payments from receipts under the Mineral Leasing Act and from federal land management activities would also be cut substantially.

The Administration is planning to subtract federal costs of managing federal land holdings from receipts before sharing net receipts with state and local governments. In the past, states and localities got a proportion of gross receipts. The basic effect of the Administration change is to make it necessary for state and local governments to provide educational services and build necessary roads for such land holdings out of their own funds.

Another small payments-in-lieu-of-taxes program to local governments would decline only slightly, from $105 million to $103 million.

Payments and loans to the District of Columbia would be frozen at the FY85 level. However, the federal payment has declined substantially over the last few years. Finally, payments to Puerto Rico and the territories -- primarily refunds of certain income and excise taxes -- would fall from $840 million to $416 million.

There is no initiative in the budget for any new fiscal assistance program to cities to help them cope with chronic unemployment problems, nor for any special program of infrastructure assistance.

FOOD STAMPS AND NUTRITION

While numerous studies have shown that the demand for emergency food assistance continues to increase, and while serious problems of hunger and malnutrition among many Americans have been documented, cuts are included in the proposed FY86 budget for food assistance. All children from families with incomes above 185 percent of the poverty line ($18,870 per year for a family of four) would be removed from the school lunch, school breakfast, and child care feeding programs. The caseload for the Women, Infants and Children (WIC) program would be decreased below the level specified by Congress. While no benefit reductions are proposed for the food stamp program, a mandatory community work experience program is proposed, and reimbursements to state and local governments for administrative costs would be frozen at the FY85 level.

FOOD STAMPS

A $318.9 million supplemental is proposed for the Food Stamp Program for FY85 to allow for full payment to all eligible recipients for the entire year. This would increase the funding level to $11.86 billion. Expenditures for food stamps are expected to grow in FY86 due to an increase in value of the thrifty food plan. The number of participants is expected to decrease by 120,000 individuals to 20.12 million during FY86 due to a slight decline anticipated in the unemployment rate.

Two legislative changes which would cut budget authority for the food stamp program are proposed for FY86. The imposition of a mandatory workfare program is expected to cut $16 million from the program. States now have the option to institute such community work experience programs, but are not required to do so. While food stamp benefits are entirely federally funded, administrative costs are shared by state and local governments and the federal government. The Administration proposes to replace the current open-ended entitlement for administrative costs with a grant to the states, frozen at the FY85 funding level of $840 million for FY86. This represents a reduction of $40.3 million for the projected funding level under current law. A similar proposal for reimbursing state and local administrative costs is proposed for the Aid to Families with Dependent Children and medicaid programs.

CHILD NUTRITION PROGRAMS

Cuts totaling $686 million in budget authority are proposed for child nutrition programs. All subsidies for children from families with incomes above 185 percent of the poverty level would be eliminated for the school lunch, school breakfast and child care food programs. As a result, a significant number of children are expected to drop out of the school lunch

program. This, in turn, would force a number of schools to close their programs, thus denying meals to those children who still qualify for free and reduced price meals. (The American School Food Service Association estimates these cuts would force five to six million children from the programs and lead to program closings in 8,000 to 10,000 schools.) A means test would be implemented for the first time for the family day care portion of the child care feeding program. In addition, no cost of living adjustments would be provided for the school lunch, school breakfast, child care feeding or summer feeding programs for FY86, which translates into a further cut of $38.4 million in FY86.

SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS AND CHILDREN

The FY85 appropriation for the WIC program was intended to maintain a caseload of 3.08 million low income women and children during FY85. Only enough funds for the first ten months were provided, but Congress indicated that a supplemental appropriation should be sought to assure that the caseload would be maintained for the entire year. The Department of Agriculture reports that the current caseload is three million recipients, however, and that the current appropriation is sufficient to maintain this caseload through FY85. The budget proposals include no request for an FY85 supplemental to raise the caseload to 3.08 million. In addition they propose maintenance of the current caseload of three million during FY86.

NUTRITION ASSISTANCE FOR PUERTO RICO

On July 1, 1982, a nutrition assistance block grant replaced the food stamp program in the Commonwealth of Puerto Rico. The Omnibus Budget Reconciliation Act of 1981 authorized $825 million annually for the grant. It has been frozen at that level since 1982, with $825 million proposed again for FY86.

COMMODITY DISTRIBUTION

No funds are requested to continue the Temporary Emergency Food Assistance Program, through which the Department of Agriculture provides funds to the states in meeting the costs associated with the distribution of donated federal commodities to eligible schools and charitable institutions and organizations, including food banks serving needy persons. Through this program $50 million has been provided since FY83. The Department indicates that since the legislative authorization will expire, no funds are requested for FY86.

AFRICAN FAMINE RELIEF

The proposed budget includes a $185 million supplemental appropriation for the Department of Agriculture's foreign assistance programs. This provides emergency funds for African drought food and relief. Also, $50 million in supplementals is proposed for the Agency for International Development and the State Department to provide international disaster assistance and emergency refugee aid. According to the proposed budget, these supplementals would bring total U.S. emergency famine assistance to Africa to more than $1 billion in FY85.

SELECTED FOOD ASSISTANCE PROGRAMS
BUDGET AUTHORITY
(dollars in millions)

	FY81	FY82	FY83	FY84	FY85	PROPOSED FY86
Food Stamps	10,677	10,206	11,990	11,723	11,743	11,856
Child Nutrition						
School Lunch and Special Assistance	2,398	2,077	2,356	2,541	2,674	2,363
School Breakfast	323	319	345	365	398	415
Summer Feeding	149	89	92	105	115	117
Child Care Feeding	295	271	335	378	429	322
Nutrition Ed. & Training	17	5	5	5	5	5
Special Milk Program	119	20	19	12	18	12
WIC	975	903	1,184	1,367	1,444	1,480
Nutrition Assistance for Puerto Rico	----	206	825	825	825	825
Storage & Distritution of Commodities for Emergency Food Assistance	----	----	50	49	50	----

Source: Budget of the United States Government, Appendix, FY83, FY84, FY85, FY86.

HEALTH

While the Administration proposes FY86 health spending of more than $100 billion, FY86 is scheduled to be the first of three years of progressively larger cuts in medicare and medicaid. The majority of other health programs are to be reduced or frozen in FY86 at current service levels.

MEDICARE

This enormous entitlement program serving 31 billion elderly and disabled Americans is to see $4 billion in cuts in FY86. Total legislative and regulatory reductions over a three year period will rise to almost $19 billion by FY88. Projected spending for FY86 is $67.2 billion.

Planned cuts include:

- Freezing prospective payment system (PPS) rates and limits on PPS-exempt hospitals at 1985 levels for at least one year.
- Delaying eligibility until the first full month after a beneficiary reaches age 65.
- Extending until October 1986 the current freeze on medicare payments to physicians.

MEDICAID

Reductions amounting to $1.1 billion are proposed for medicaid, a federal-state-local program aiding 22.5 million poor, disabled and elderly. During the years FY86-FY88, the Administration is calling for a total $6.5 billion in cuts. Proposed spending for medicaid in FY86 is $23.7 billion.

Proposed savings include:

- Reimposing a three percent cap on federal matching payments to the states.
- Awarding federal grants to states for administrative costs instead of the current cost-based system. This measure will be accompanied by a freeze at '85 levels.

MEDICARE AND MEDICAID OUTLAYS
(dollars in millions)

	FY81	FY82	FY83	FY84	EST. FY85	PROPOSED FY86
MEDICARE:						
Hospital and supplementary medical insurance:						
Existing law	$42,489	$50,423	$56,841	$62,841	$71,813	$75,099
Proposed legislation	---	---	---	---	(10)	(1,820)
Premiums and collections:						
Existing law	(3,340)	(3,855)	(4,253)	(4,942)	(5,547)	(5,927)
Proposed legislation	---	---	---	---	---	(194)
TOTAL	$39,149	$46,568	$52,588	$57,540	$66,256	$67,158
MEDICAID:						
Existing law	$16,948	$17,391	$18,985	$20,061	$22,985	$24,631
Proposed legislation	---	---	---	---	---	(940)

Source: U.S. Budget, FY83.
U.S. Budget, FY84.
U.S. Budget, FY85.
U.S. Budget, FY86.

U.S. Department of Health and Human Services, The Fiscal Year 1982 Budget.

BLOCK GRANTS

Funding for health block grants is requested at $1.6 billion, $17 million below FY81 appropriations. The Administration proposes, as it has several times previously, to add to the primary care block grant current categorical programs for family planning, black lung and migrant health.

HEALTH BLOCK GRANTS
(dollars in millions)

BLOCK GRANT	FY81 APPROPRIATIONS	FY86 REQUEST BUDGET AUTHORITY
Primary Care[a]	$ 536.5	$ 550.1
Prevention	93.2	89.5
Alcohol, Drug Abuse & Mental Health	540.4	490.0
Maternal and Child Health	454.5	478.0
TOTAL	$1,624.6	$1,607.6

[a] Included in the Primary Care block grant are funds for Family Planning, Migrant Health and Black Lung programs.

Source: Appropriations Actions on FY84 President's Budget, Department of Health and Human Services, 11/8/83.

Appendix to the Budget for Fiscal Year 1986.

HEALTH RESOURCES AND SERVICES ADMINISTRATION (HRSA)

Major reductions are called for in the Health Resources and Services Administration which manages a multitude of direct service and professional training programs. With FY86 budget authority projected at over $1 billion, the Administration is asking for elimination of the home health and health planning programs. Sizeable cuts are slated for the National Health Service Corps, which trains and places health professionals in medically underserved areas. Indian health programs will be cut by $35 million.

NATIONAL INSTITUTES OF HEALTH (NIH)

NIH, the nation's medical research arm, is to receive an unprecedented reduction of almost $300 million. Cuts are proposed for administrative overhead and federal salaries. Other program areas are to be frozen at 1985 levels. Sixty-one million dollars is requested for research on AIDS; $49 million is requested for research on Alzheimer's disease.

CENTERS FOR DISEASE CONTROL (CDC)

This agency, which of all the agencies in the Department of Health and Human Services relates most directly to local health departments and is responsible for the preponderance of public health efforts, is slated for significant program cuts and freezes in FY86. An $11 million cut in the Occupational Safety and Health Administration (OSHA) will leave only the agency's research component, altogether eliminating training and scientific/technical services.

- Chronic and Environmental Disease Prevention -- A cut of $5 million is proposed for this agency which includes among its activities reduction of adverse health impacts of environmental hazards.

- Immunization -- Funding for immunization is virtually frozen despite increasing prices, legal liability questions, and decreasing availability of many vaccines.

- Infectious Diseases -- Proposed funding for control and prevention of special infectious disease problems is $53 million. This includes $19 million set for research and surveillance related to Acquired Immune Deficiency Syndrome (AIDS). The Administration notes that total AIDS funding within the Department of Health and Human Services "in 1986 will be maintained at the 1985 current services level of $86 million. This compares to $96 million in 1985 . . . The decrease in resources for AIDS between 1986 and 1985 is due to one-time costs in 1985 for blood supply studies and facility construction and renovations in CDC and FDA."[1]

- Sexually Transmitted Diseases -- No real increase is proposed for this program. Many public health analysts say the nation is experiencing an epidemic of problems of sexually transmitted diseases.

ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION (ADAMHA)

All aspects of the nation's mental health activities are to be reduced in FY86; the most striking reduction is the halving of a $40 million mental health training program. The Administration proposes in addition to reduce mental health research efforts at ADAMHA and eliminate its $13 million planning and demonstration program. Small increases are requested for alcohol and drug abuse research.

CENTERS FOR DISEASE CONTROL: SELECTED PROGRAMS
BUDGET AUTHORITY
(dollars in millions)

	FY81	FY82	FY83	FY84	EST. FY85	PROPOSED FY86
Sexually Transmitted Diseases	$ 48	$ 43	$ 48	$ 55	$ 55	$ 55
Immunization	30	35	39	42	53	54
Infectious Diseases	26	28	37	52	58	53
Chronic and Environmental Diseases	18	22	25	26	29	24
Occupational Safety and Health	68	62	57	66	66	58
Epidemic Services	31	38	40	48	49	49
Buildings and Facilities	4	1	18	1	6	7
Program Management	3	2	3	3	3	3
TOTAL	$228	$231	$267	$293	$319	$303

Source: U.S. Department of Health and Human Services, The Fiscal Year 1984 Budget.
U.S. Department of Health and Human Services, The Fiscal Year 1985 Budget.

Appendix to the Budget for Fiscal Year 1986.

Setting the stage for transfer in October 1987 of St. Elizabeth's Hospital to the District of Columbia, the FY86 budget reflects the fourth year of a ten year phase-down of federal support for this federal facility. The budget authority requested is $42 million, $7 million below FY85 levels.

RESCISSIONS

Rescissions totaling over $20 million are proposed for almost all health agencies in the Department of Health and Human Services. Among the largest proposed rescissions are those in the Health Resources and Services Administration; National Cancer Institute; Centers for Disease Control; Alcohol, Drug Abuse and Mental Health Administration; and the Health Care Financing Administration. In each instance rescissions amount to over $2 million.

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1 U.S. Department of Health and Human Services, The Fiscal Year 1986 Budget, p. 19.

HUMAN SERVICES

For the fifth year in a row the Administration proposes to eliminate the Community Services Block Grant, the major base of support for the community action program. It also proposes to eliminate the Legal Services Corporation and the Work Incentives Program. No funding is included in the proposed budget for emergency food and shelter. In all, human services programs would be cut by over $1 billion with only adoption assistance seeing a modest increase.

COMMUNITY ACTION

The Community Services Block Grant (CSBG), created in 1981 and funded at $368 million in FY85, is slated for elimination in the proposed budget. The CSBG provides basic administrative support to over 900 community action and limited purpose agencies throughout the country. This support enables the agencies to coordinate other sources of funding -- federal, state, local and private -- to support local anti-poverty efforts. In addition, the CSBG supports a variety of discretionary activities, including community development programs, rural housing programs, and the migrant and seasonal farmworker programs. Budget authority of $3.8 million is requested for federal staff salaries and expenses to close out the program. The states would be expected to use other sources of funding, including the Social Services Block Grant, to fund those community services activities that they believe should be continued.

The Legal Services Corporation, also slated for elimination, is currently funded at $272 million. The Administration suggests that the Social Services Block Grant includes adequate authority to fund legal services activities through state and local governments, that state and local bar associations have developed programs to provide free assistance to indigent clients, and that it expects these efforts to continue to grow, consistent with private attorneys' ethical obligations to provide such free services.

Volunteer programs are proposed to remain nearly at current levels, with only slight decreases in the Volunteers in Service to America (VISTA) and Older American Volunteer Programs -- Foster Grandparents, the Retired Senior Volunteer Program, and the Senior Companion Program. The citizen participation and volunteer demonstration programs would stay at the current level of $1.8 million.

SOCIAL SERVICES

The only social service program slated for an increase is adoption assistance, where a $10 million riseis projected. The other major family social services -- foster care, child welfare services and child welfare training -- would be frozen at the FY85 program levels. The budget does

propose supplemental appropriations for FY85 for foster care and adoption assistance to meet prior year claims and anticipated current year program costs. Head Start would be frozen at its FY85 level of just over $1 billion. The Department of Health and Human Services indicates that this is sufficient to maintain the current enrollment of more than 448,000 children.

Most of the remaining social services programs would receive modest cuts. The Social Services Block Grant would be cut by $25 million. While most of the programs of the Administration on Aging would be frozen, research, training and discretionary programs would be cut in half, from $25 million in FY85 to $12.5 million in FY86. Similarly the basic grants for Native Americans, Developmental Disabilities and Rehabilitation Services would be frozen at current levels, but some of the discretionary programs, research and demonstration efforts and training would be cut.

The Work Incentive Program, slated for elimination again, provides job services, training and public service employment to recipients of Aid to Families with Dependent Children (AFDC). The budget suggests that since the Job Training Partnership Act requires equitable services to AFDC recipients, and since a mandatory work experience program is proposed for the AFDC program, a need no longer exists for this separate categorical program.

EMERGENCY FOOD AND SHELTER

No funds are proposed in the budget to continue the emergency food and shelter program of the Federal Emergency Management Agency, which is operated by the National Board of Voluntary Agencies. Seventy million dollars is available through that program during the current fiscal year; $110 million was spent in FY84. Indeed, no funds are included anywhere in the budget for any emergency food and shelter assistance. According to a report done by the Department of Health and Human Services in December, the Community Services Block Grant provided $62 million in FY83 for emergency food and shelter. That program is slated for elimination in FY86, however. The Temporary Emergency Food Assistance Program of the Department of Agriculture, which reimburses the states for intrastate storage and distribution costs associated with donated federal commodities, is also slated for elimination in FY86.

SELECTED HUMAN SERVICES PROGRAMS BUDGET AUTHORITY
(in millions of dollars)

	FY81	FY82	FY83	FY84	FY85	PROPOSED FY86
Community Action						
VISTA	33	18	14	17	19	18
Older American Volunteer Programs	89	84	88	91	104	103
Legal Services Corporation	321	241	241	247	272	----
Community Services Block Grant	527	366	367	348	368	----
Total	990	709	710	703	763	121
Social Services						
Social Services Block Grant	2,991	2,400	2,675	2,700	2,725	2,700
Head Start	814	909	912	996	1,075	1,075
Aging Programs	623	635	786	689	701	689
Family Social Services	506	465	572	686	770	741
Work Incentives	365	281	271	271	267	----
Native Americans	34	28	28	29	29	28
Development Disabilities	49	58	61	62	76	73
Rehabilitation Services	924	952	1,04[illegible]	1,155	1,233	1,216
Total	6,306	5,728	6,350	6,588	6,876	6,522
Emergency Food and Shelter Program	----	----	100	110	70	----
TOTAL	7,276	6,437	7,160	7,401	7,709	6,643

Source: Budget of the United States Government, Appendix, FY83, FY84, FY85, FY86.

INCOME SECURITY

While the budget for several large income security programs would increase slightly due to continued growth in the number of beneficiaries and cost of living adjustments, funds for the Low Income Home Energy Assistance Program would be frozen at the FY85 level, and cuts are proposed for Aid to Families with Dependent Children and for Refugee and Entrant assistance programs.

SOCIAL SECURITY

Outlays for Old Age and Survivors and Disability Insurance would increase by $10.2 billion over the FY85 level due to an increase of 684,000 beneficiaries, a higher average benefit amount due to higher earnings of newer beneficiaries, and the annual cost-of-living increase, estimated at 4.1 percent payable in January 1986. These increases are more than offset by increases in income to the OASDI Trust Funds, expected to be $14 billion in FY86.

(During FY86 there will be an average of 33.4 million beneficiaries of the Old Age and Survivors Insurance Program and 3.9 million of the Disability Insurance Program. The tax rate for employers and employees will be 7.15 percent and the wage base $41,400.)

The budget includes a legislative proposal to accelerate collection of Federal Insurance Contribution Act deposits from state and local government employers. The proposal would yield nearly $2 billion of accelerated payments and recurring interest over the next five years, including an estimated $298 million in FY86.

Estimates for the disability program reflect resumption of periodic reviews of the continuing eligibility of disability beneficiaries under the Social Security Disability Benefits Reform Act of 1984 (P.L. 98-460). The new legislation modifies certain procedures and standards used in the disability program, extends until June 1988 the provision for continuing disability benefits during the appeal process, and provides for a new review under revised standards for many claimants who were previously denied or terminated.

SUPPLEMENTAL SECURITY INCOME

The Supplemental Security Income program provides the income source of last resort for aged (65 and older), blind and disabled persons with low incomes. The program provides a national, standard benefit amount for individuals and couples which is the same in all states. States, however, may choose to supplement the federal payment; approximately 40 percent of all SSI recipients receive federally administered state supplements. A total of 3.74 million people are expected to receive federal SSI payments in

FY86; an additional 340,000 will receive only state supplements. The average federal monthly benefit is expected to be $198.90.

AID TO FAMILIES WITH DEPENDENT CHILDREN

Although the number of recipients of Aid to Families with Dependent Children is expected to remain at the FY85 level -- 3.7 million families and 10.8 million recipients -- program outlays under the current law are expected decrease by $30 million due to higher error rate liabilities to be applied to states in FY86, and to estimates of increased child support collections on behalf of AFDC recipients. In addition, the Administration is proposing several legislative changes that would cut an additional $126 million from the program:

- States would be required over three years to have all employable adult AFDC applicants participate in job search and all employable recipients register and participate in job search and other work activities. FY86 reduction: $52 million.

- The needs of an employable parent or other caretaker relative would be excluded in calculating AFDC benefits when the youngest child reaches age 16. FY86 reduction: $55 million.

- Single minor parents would be required to live with their parents to be eligible for AFDC. FY86 reduction: $19 million.

In addition, the Administration proposes to replace the current open-ended entitlement for administrative costs with a grant to the states, frozen at the FY85 funding level of $928 million. A similar proposal for reimbursing state and local administrative costs is proposed for the Food Stamp and Medicaid programs.

LOW INCOME HOME ENERGY ASSISTANCE

For FY86, the Administration proposes to freeze the Low Income Home Energy Assistance program at the FY85 level of $2.1 billion. Legislation will be proposed, however, that would change the source of the financing for the program. Collections from oil overcharge litigation settlements for which the overcharged customer cannot be identified and repaid would be used to offset general revenues for LIHEAP. It is estimated that $809 million in overcharge collections would be available in FY86 for LIHEAP, thus decreasing to $1.3 billion the general revenue outlays required for the program that year. Legislation to this effect was submitted by the Administration last year, but Congress did not consider it. The Conference of Mayors supports returning overcharge funds to consumers, and funding conservation programs from general funds.

UNEMPLOYMENT COMPENSATION

The budget estimates that an average of 2.3 million workers will receive unemployment compensation benefits each week during FY85, a slight decrease from the 2.4 million estimated to receive benefits each week during the current fiscal year. While up from an historic low of 29 percent in June of 1984, only 38 percent of unemployed persons were receiving unemployment benefits in January of 1985, according to the Bureau of Labor Statistics. The average unemployment rates projected in the budget are 7.0 percent in FY85 and 6.9 percent in FY86.

Legislation will be proposed to shift the federal tax which now finances state administrative costs associated with the program to the states. The states would then be required to collect taxes to finance their own administrative costs. According to the U.S. Department of Labor, this tax transfer would amount to approximately $1.8 billion starting in FY88.

REFUGEE AND ENTRANT ASSISTANCE

Outlays for refugee and entrant assistance would be cut by 20 percent from FY85 to FY86; budget authority would be cut by 29 percent. The total cut of $127 million in budget authority includes $31 million in cash and medical assistance and $27 million in social services. Targeted assistance at $50 million and educational assistance at $17 million would be eliminated altogether. The Department of Health and Human Services accounts for the reductions through an anticipated decline in the number of refugees who are eligible for cash and medical assistance, and through the implementation of a policy to make voluntary resettlement agencies fully responsible for the basic needs of sponsored refugees during the first 90 days in this country, with the funding for this provided for in the State Department's budget for Migrant and Refugee Assistance. In addition, the Department cites a reduced need for special refugee social services and indicates that targeted assistance and educational assistance can be eliminated because they were intended to deal with temporary conditions created by unanticipated high levels of refugee admissions.

SELECTED INCOME SECURITY PROGRAM OUTLAYS
(dollars in millions)

	FY81 FY81	FY82 FY82	FY83 FY83	FY84 FY84	FY85 FY85	PROPOSED FY86
Social Security Trust Funds						
OASI	122,304	137,929	153,989	162,406	173,583	183,779
DI	17,280	18,035	18,291	18,459	20,024	20,399
Interest Payments for Interfund Borrowing	----	----	(1,477)	(1,882)	(1,639)	(1,066)
Subtotal, OASDI	139,584	155,964	170,833	178,983	191,968	203,112
Supplemental Security Income[a]	7,192	7,677	8,724	8,498	9,511	9,890
AFDC	6,817	7,531	7,875	8,346	8,363	7,973
Child Support Enforcement	420	459	516	508	606	673
Low Income Home Energy Assistance	1,734	1,875	1,993	2,026	2,100	2,100[b]
Unemployment Compensation	18,739	24,282	32,655	26,089	22,787	22,139
Refugee and Entrant Assistance Programs	902	689	524	602	450	362

[a] The FY83 figure for SSI includes 13 months of benefit payments; the FY84 figure reflects 11 months of benefit payments; FY85 and FY86 have normal 12 months of payments.

[b] Legislation will be proposed to finance $809 million of the $2.1 billion for Low Income Home Energy Assistance from recoveries from petroleum price overcharges.

Source: The Budget of the United States Government, Appendix, FY83, FY84, FY85, FY86.

PUBLIC SAFETY

CRIMINAL JUSTICE

The Administration's FY86 budget request for all federal law enforcement and justice functions is $6.5 billion, a reduction of $139 million from FY85 levels. A major focus of these activities will be the implementation of the Comprehensive Crime Control Act of 1984 which made changes in federal statutes pertaining to bail, sentencing, drug enforcement and forfeiture, and under which a number of new programs were authorized. The FY86 Department of Justice (DOJ) budget is $3.8 billion, an increase of $34 million over FY85 levels.

DOJ's budget proposal includes $67 million for the criminal justice state and local assistance grant program contained in the Justice Assistance Act of 1984, $2.4 million less than the amount made available in FY85. Eighty percent of the program's funds are awarded to states through formula grants with pass-through provisions to local governments. Each state receives a base amount of $250,000 with the remainder of the block grants allocated on a per capita basis. The remaining 20 percent of the program's funds are distributed as discretionary grants and used for training, technical assistance and demonstration projects.

The Administration is also proposing $1.5 million to provide assistance to state and local governments in cases where the Attorney General has determined that a law enforcement emergency exists. Such an emergency is defined as "a situation when the capacity of local resources has been exceeded." Funding for the missing children program, authorized under the Missing Children's Act Amendments of 1984, is requested at the FY85 level of $4 million. This program provides assistance to families, citizen groups, and state and local governments -- primarily through the National Center for Missing and Exploited Children -- in efforts to reduce the incidence of crimes against children, particularly kidnappping and sexual exploitation. A $3.2 million increase, to $11.5 million, is proposed for the public safety officers program which provides $50,000 in benefits to eligible survivors of public safety officers who die in the line of duty. Beginning in 1985, the program will also cover federal officers.

The combined budget request for the National Institute of Justice and the Bureau of Justice Statistics is $36.2 million, the same amount authorized in FY85.

As it has done for the past five fiscal years, the Administration is again seeking the elimination of the juvenile justice and delinquency prevention programs, funded at $67.6 million in FY85. The Administration's repeated attempts to eliminate these programs are based on the presumption that the programs' primary objectives -- the deinstitutionalization of

status offenders and the separation of juvenile from adult offenders -- have been largely accomplished and that resources to deal with serious juvenile offenders are available through the new state and local assistance program.

The Justice Department's budget proposal includes $1.18 billion for the Federal Bureau of Investigation, a $23 million increase over FY85. Of this amount, $103.8 million would be used to assist state and local law enforcement agencies by providing training, laboratory, identification and information services.

The FY86 budget request for the Drug Enforcement Administration (DEA) is $345.6 million, which represents an $11 million increase over FY85 levels. DEA's budget includes $17.1 million for cooperative law enforcement activities with state and local governments e.g., (the provision of training, expert witnesses and laboratory analysis) and the support of federal/state and local task forces. The Administration, however, is again proposing the elimination of grants, funded at $9.9 million in FY85, which provide assistance to state and local law enforcement agencies in the exchange of drug-related intelligence information, indicating that these activities are a state and local responsibility.

The proposed budget includes $577.5 million for the Immigration and Naturalization Service, $8.4 million less than the amount authorized in FY85. Funding for enforcement activities, including preventing illegal entry into the country, is being reduced by $5.4 million, to a total of $359.1 million.

The budget request for the Community Relations Services (CRS) is $33.2 million, approximately the same as the FY85 level. Only $6.6 million of this amount, however, will be used to provide assistance to communities in preventing and resolving difficulties arising from racial and ethnic conflicts and discrimination, which traditionally has been CRS's sole responsibility. The remaining funds will be used for the processing and resettlement of Cuban and Haitian entrants. Administrative responsibilities relating to entrants were transferred to CRS from the Office of Refugee Resettlement of the Department of Health and Human Services in FY82.

The FY86 budget also seeks authorization of up to $100 million for the Crime Victims Fund to support state, local and federal victim assistance and compensation programs. Money for the Fund, authorized under the Victims of Crime Act of 1984, will be derived from federal criminal fines and penalties and therefore is not included in the Department of Justice's total budget request.

Summary

Unlike the Administration's previous budget proposals, the FY86 budget does not include increased expenditures for federal criminal justice and law enforcement activities. This year's $3.8 billion budget request for the Department of Justice, although approximately the same as FY85, represents a 62 percent increase over the $2.34 billion authorized in FY81. State and local governments' criminal justice systems have been excluded from this growth in funding. Between FY81 and FY85, when a new criminal justice pro-

gram made available $69 million to state and local governments, the only program which provided direct financial assistance to states and localities were those relating to juvenile justice and delinquency prevention, whose funding have remained relatively constant. In fact, state and local governments' share of DOJ's budget has decreased tremendously during the past decade. In FY75, for example, $895 million, or 42 percent of DOJ's $2.12 billion budget, was authorized for the Law Enforcement Assistance Administration (LEAA), the primary source of federal aid to state and local criminal justice systems between FY69 and FY80. Approximately $480 million of that amount was allocated to state and local governments through formula grants. In contrast, the Administration's FY86 budget request for direct financial assistance to state and local governments' criminal justice systems is less than $73 million, or not quite two percent of DOJ's total budget.[1]

EMERGENCY PREPAREDNESS/CIVIL DEFENSE

The Administration's FY86 budget request for the Federal Emergency Management Agency (FEMA) is the first since FY81 that does not call for substantial increases in funding for civil defense and emergency preparedness activities. In fact, the Administration is proposing a $96.4 million reduction, or a total of $232.4 million, for the agency's major component -- Emergency Management Planning and Assistance. A substantial portion of the reduction, however, is accounted for by a transfer of $51.8 million to the National Flood Insurance Fund. Between FY81 and FY85 funding for activities which are now consolidated under Emergency Management Planning and Assistance increased 90 percent, from $172.5 million to $328.7 million.

A $59.5 million reduction, or $89.3 million, is proposed for Civil Defense. The Comprehensive Emergency Preparedness Planning Program, which assists state and local governments in improving their capacity to prepare for and respond to disasters and emergencies, is being funded at $6.6 million, $1 million less than in FY85. The budget request for FEMA's training and fire prevention programs is $17.5 million, a $4.2 million reduction from FY85. Three million six hundred thousand dollars, the same amount authorized in FY85, is requested for the Radiological Emergency Preparedness program. This program assists state and local governments in improving their capacity for dealing with radiological accidents occurring at nuclear facilities and resulting from the transportation of radioactive materials. Federal preparedness activities are being funded at $115.4 million, $14.5 million above the FY85 levels. These are the only activities under the Emergency Management/Planning and Assistance component for which an increase is sought.

The Administration is again not requesting new funding authority for the National Insurance Development Fund. This supports the Fair Access to Insurance Requirements Plan/Riot Reinsurance program, which provides reasonable access to essential property insurance in urban areas, and the Federal Crime Insurance program, which provides burglary and robbery insurance on properties where coverage is not available in the private market. The Supplemental Appropriation Act of 1984 did not extend authority for the Riot Reinsurance program beyond November 1983. The Federal Crime Insurance

program was extended until September, 1985. The FY86 budget assumes there will be no new insurance policies issued subsequent to those dates. However, $18.2 million, a $7.5 million increase over FY85, is requested to cover costs associated with unexpired policies.

The budget request for the National Flood Insurance Fund is $78.2 million, an $18.4 million increase over the amount authorized in FY85. This total, however, includes authorization for flood plain management activities currently funded under the Emergency Management Planning and Assistance component. In FY85, $51.8 million was authorized for flood plain management activities which involve technical assistance, regulatory, and mapping efforts aimed at preventing and responding to flood hazards.

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[1] This figure does not include the Crime Victims Fund for which an appropriation is not needed.

SCIENCE AND TECHNOLOGY

Major portions of the Stevenson/Wydler Technology Innovation Act, designed to apply federal research and development efforts to local government, would remain unimplemented by the Department of Commerce in FY86. In addition, the major local government program within the National Science Foundation (NSF) will be terminated, and small but effective programs for minorities within NSF will remain at level funding, while other Foundation programs receive significant increases.

The FY86 budget for the National Science Foundation is $1.57 billion, 4.5 percent above the FY85 level of $1.50 billion. NSF documents indicate a larger increase of six percent because they include $31 million for FY85 funds in FY86 figures. All categories in NSF received significant increases except Scientific, Technological, and International Affairs (STIA) which is cut 14 percent, from $44 million to $38 million, and Program Development and Management, cut one percent. The Mathematical and Physical Sciences Directorate is up eight percent -- $429 million up from $397 million -- and Engineering is up 13 percent, from $150 million to $170 million.

The STIA Directorate, with responsibility to provide better understanding of and opportunity for the use of federal science and technology by different sectors of society, would receive a 14 percent cut. The Intergovernmental Program within STIA is proposed for termination. This program is the only effort within NSF to assist state and local governments in the use of federal science and technology to improve productivity and service delivery mechanisms. Likewise, programs in Ethics and Values in Science and Technology and Productivity Improvement Research are slated for termination. Programs for Visiting Professorships for Women and Research Improvement in Minority Institutions were maintained at flat levels.

As in FY84 and FY85, the NSF has no program in FY86 to support the implementation of the Stevenson/Wydler Technology Innovation Act which requires federal laboratories to share technologies and provide technical assistance to state and local governments. Also, no funds have been allotted for the Federal Laboratory Consortium, the principal technology transfer arm of the nation's largest 350 federal laboratories.

DEPARTMENT OF COMMERCE

The Department of Commerce (DOC) budget calls for a 28 percent reduction in FY86 for the Office of Productivity, Technology and Innovation (OPTI), which serves as a catalyst for promoting small business development through scientific and technological innovation. OPTI has recently developed creative financing techniques for small business research and development, methods for greater small business access to federal technology, and liaison with state and local governments desiring to promote small business innovation.

The Department of Commerce budget also contains no direct funds for the operation of the Center for the Utilization of Federal Technology (CUFT) as mandated by Section 11 of the Stevenson/Wydler Act. In FY83 and FY84 CUFT received $500,000. In FY85 CUFT received no funds and was forced to operate in a limited way using revenues from the sale of documents. While CUFT was designed to work actively with the Federal Laboratory Consortium to expedite the transfer of technology to local governments and the private sector, it now serves a library function.

Also, DOC's budget includes no funds for the establishment of Centers for Industrial Technology under Section (b) of the Stevenson/Wydler Act. These Centers were to promote technological innovation and commercialization of federal research and development activities. Likewise, no funds have been budgeted to assist federal laboratories in the special technology transfer projects with local governments and small businesses that may require special adaptive engineering studies, as contained in Stevenson/ Wydler.

SMALL BUSINESS ADMINISTRATION

The Small Business Administration, through its Small Business Innovation Research program (SBIR), will monitor in FY86 an estimated $360 million in federal funds set aside for research and development by small, high technology firms. In FY83, $40 million was set aside; in FY84, $118 million; and in FY85, $216 million. The enabling legislation for SBIR requires that civilian agencies achieve a 1.25 percent set-aside by FY86 and that the Department of Defense achieve the same set-aside level by FY87. The SBIR program promotes opportunities for small, high technology firms to participate in federal research and development and to stimulate technical innovation in both the federal research and development community and the private sector.

TRANSPORTATION

The Administration's proposed FY86 transportation budget calls for large cuts in federal aid for public transportation and Amtrak. Highway spending would be frozen and airport spending would show a slight increase.

Public Transportation

The proposed budget calls for a $2.75 billion cut in federal support for public transportation -- a reduction of 66.7 percent. Included in the reduction is a total elimination of the transit formula block grants, which includes capital and operating assistance, and the end of general fund support for transit, with the exception of the Washington Metro System.

Beginning in FY86, all federal support for public transportation would come from the one cent gasoline tax set-aside which was established by the Surface Transportation Assistance Act of 1982. This fund would yield $1.1 billion in FY86. Instead of the current system, which allocates these funds on a discretionary basis, the funds would be allocated nationwide based on the current formula for the transit block grant. No funds would be available for new start projects for which the Urban Mass Transportation Administration (UMTA) has not issued commitments. The local share would be raised from 20 percent to 30 percent.

The Administration intends to request a reprogramming of FY85 funds allotted to new starts it deems not cost-effective so that those which are cost-effective can be completed.

The separate category for interstate transfer grants for transit projects would be eliminated by this budget. Transit projects would be funded from the same fund as highway projects. That fund would be increased by only $100 million, failing to reflect the need for transit projects, to which several cities are entitled, to go forward on the schedule mandated by the Federal-Aid Highway Act.

Highways

The budget calls for essentially the same level of funding from the Highway Trust Fund as in FY85. The obligation ceiling, limiting funds which may be spent during the year, would remain $1 billion below authorized levels at $13.25 billion.

Spending for urban system, bridge repair, interstate construction and rehabilitation needs would be frozen at FY85 levels.

Funding from the Highway Trust Fund for interstate transfer projects would increase by $100 million for a total $700 million. This increase does not offset the inclusion in this category of interstate transfer-transit

grants, which has a separate appropriation of $250 million in FY85. With only four fiscal years remaining until the FY89 deadline for finishing interstate transfer projects, funding in this category needs to be increased by almost 100 percent.

Airports

The proposed budget calls for an increase in the Airport Improvement Program (AIP) -- which provides grants to localities for airport construction, expansion and rehabilitation -- from $987 million in FY85 to $1.017 billion in FY86. The AIP program is funded from user fee revenues from the Airport and Airway Trust Fund.

The Administration also calls for the elimination of the Airline Subsidy program, which provides assistance to airlines to provide service to smaller communities. FY85 funding for this effort was $49 million and served approximately 150 communities. This function was previously handled by the Civil Aeronautics Board, which went out of existence on December 31, 1984, with its remaining functions absorbed by the Department of Transportation.

Railroads

The budget proposes the elimination of operating aid to Amtrak. This cut of $684 million below Amtrak's FY85 budget would require the elimination of a substantial amount of Amtrak service.

The sale of Conrail, estimated to yield $1.2 billion, is assumed by the budget. Receipts would go directly to the Treasury (not to pay for infrastructure improvements as some in Congress have proposed).

Safety

Budget authority for the National Highway Traffic Safety Administration would remain roughly constant at $257.9 million. However, funds for highway traffic safety would be reduced by 25 percent to $132 million.

SUMMARY

The Administration's proposed budget for FY86 envisions the virtual abandonment of the 20 year partnership between federal, state and local governments to provide safe and efficient public transportation in the nation's cities, suburbs and rural areas. Ironically, it comes just two years after passage of the historic Surface Transportation Assistance Act of 1982 which was the product of strong Administration support and leadership. The elimination of all general fund support for transit, including the end of operating assistance, would require massive service cuts, and some shutdowns, in cities throughout the nation. Small and medium sized cities, which rely most heavily on federal capital and operating aid, would be hardest hit by these cuts. The growing rail modernization needs in major cities would go unmet, as would the need for new and expanded service in growing cities, if this budget were approved.

Also of great concern is the proposed elimination of operating aid to Amtrak. For many cities the Amtrak is a crucial transportation link. Cutting operating aid to the railroad would almost certainly require massive abandonments on most parts of Amtrak's system, except the Northeast Corridor and a few other high density routes.

As principal supporters of the Urban Mass Transportation Act since its passage in 1964, and of the Amtrak program, the Conference of Mayors supports funding public transportation at the fully authorized levels, and a viable, nationwide passenger rail network.

The Conference is also concerned with the waning commitment to interstate transfer projects indicated by the budget. Absent a doubling of spending in this area in future years, the multi-billion dollar balance of projects will not be completed by the FY89 deadline.

PUBLIC TRANSPORTATION BUDGET AUTHORITY
(dollars in millions)

	FY81	FY82	FY83	FY84	FY85	PROPOSED FY86
Discretionary Grants	$1,970.0	$1,680.5	$1,691.6	$1,225.0[a]	$1,120.0	----
Bus and Bus Facilities	580.0	530.6	521.0	195.0	130.0	----
Rail Modernization	945.0	879.5	866.9	545.5	487.5	----
New Starts and DPMs	385.0	179.9	243.8	399.5	422.5	----
Urban Initiatives	20.0	29.5	----	----	----	----
Planning and Other	40.0	61.0	60.0	85.0	80.0	----
Formula Grants	1,455.0	1,365.0	1,979.0	2,388.6[b]	2,449.5	1,100.0[f]
Operating Assistance	1,105.0	1,036.0	875.0	875.0	875.0	----
Capital	305.0	329.0	1,104.0	1,513.6	1,574.5	1,100.0
Research and Training/ Assistance	76.5	75.4	86.3	84.0	81.7	26.8[g]
Small Urban/Rural	73.0	68.5	68.5	(69.9)[c]	(71.8)	(32.2)
Interstate Transfer [d]	865.0	538.0	412.0	295.4	250.0	----
Other [e]	10.0	----	240.0	250.0	250.0	250.0
TOTAL	$4,449.5	$3,727.4	$4,477.4	$4,243.0	$4,151.2	$1,376.8

[a] Beginning in FY84, Section 3 Discretionary Grants are funded by federal motor fuel tax revenue set-aside for transit purposes.

[b] In FY84, the Section 5 Formula program is replaced by the Section 9 Block Grant.

[c] Beginning in FY84, all Small Urban and Rural funds are derived from the Section 9 Block Grant.

[d] For FY80-81, projects are Transit and Highway. FY82-FY85 figures are for Transit projects only with highway projects included in the highway budget. For FY86, the separate category for transit grants is eliminated.

[e] In FY83-86, amounts are for Washington Metrorail construction from 1980 Stark Harris legislation.

[f] In FY86 formula grants would be derived from federal motor fuels tax revenues and apportioned using the existing Section 9 formula.

[g] In FY86, funds are for administration only.

FEDERAL HIGHWAY PROGRAM OBLIGATIONS
(dollars in millions)

	FY81	FY82	FY83	FY84	FY85	PROPOSED FY86
Trust Fund Programs						
Federal Aid Highways	$8,974.8	$8,188.8	$12,825.2	$13,209.4	$14,240.0	$14,240.0
(Obligation Ceiling)	----	----	(11,600.4)	(12,600.0)	(13,250.0)	(13,250.0)
Interstate Construction	3,676.5	3,081.2	4,310.4	4,300.0	4,100.0	4,100.0
Interstate 4R	249.3	578.0	1,750.6	1,975.0	2,400.0	2,400.0
Primary [a]	1,751.9	1,489.5	2,050.2	1,800.0	2,000.0	2,000.0
Rural and Small Urban	456.2	387.0	602.3	500.0	500.0	500.0
Urbanized Area	891.9	731.6	878.4	800.0	700.0	700.0
Bridge Construction	937.6	979.2	1,388.2	1,650.0	1,750.0	1,750.0
Safety and Other	1,011.4	942.3	1,487.6	1,694.4	2,190.0	2,090.0
Interstate Transfers [b]	----	288.0	843.1	646.6	600.0	700.0
Miscellaneous Programs (includes non-trust fund activities)	130.5	77.6	154.1	143.3	202.0	29.7
TOTAL	$9,105.3	$8,554.4	$13,465.4	$13,509.3	$14,442.0	$14,269.7

[a] Primary funds are assigned to urban or rural program depending on where they are spent.

[b] Funded from general revenues in FY80-82, from a mix of general revenues and trust fund in FY83-84 and from trust fund alone in FY85. Interstate transfer transit projects are included in the FY86 figure.

VETERANS

The proposed FY86 budget for Veterans Benefit and Services is $27.3 billion, unchanged from FY85.

The budget proposes major reforms that would affect service to veterans injured during military service, and service to low income veterans: (1) While all 59 Veterans Administration (VA) regional offices would be maintained, certain functions would be consolidated in the VA's Department of Veterans Benefits. (2) The Administration would redefine eligibility for VA medical care. (3) Authority to make loans under the GI Bill would be repealed.

Income Security for Veterans

Several VA programs help certain veterans and their survivors maintain their income when the veteran is disabled, aged or deceased. Outlays for this purpose are estimated to increase from $14.8 billion in FY85 to $15.1 billion in FY86.

- Service connected compensation -- In FY85, benefits were increased by 3.2 percent. Legislation is proposed for an additional 4.1 percent cost-of-living increase in compensation benefits. This is the same increase proposed for social security, effective with the January FY86 payments. Due to the proposed cost-of-living adjustment, outlays for compensation benefits are estimated to increase from $10.2 billion in FY85 to $10.5 billion in FY86.

- Non-service-connected pensions -- A 3.5 percent cost-of-living increase became effective with the January FY85 payments. The next cost-of-living increase, effective with the January FY86 payments, is estimated to be 4.1 percent. Outlays for veterans' pensions are estimated at $3.8 billion in both FY85 and FY86.

- Burial and other benefits -- Outlays for burial and related benefits are estimated to increase from $134 million in FY85 to $137 million in FY86.

- Insurance Programs -- Direct loan obligations against life insurance policies are expected to increase from $150 million in FY85 to $156 million in FY86.

Veterans Education, Training, and Rehabilitation

Two programs, the GI Bill and the Post-Vietnam Education Program, provide education, training and rehabilitation benefits to veterans and

military personnel who meet specific eligibility criteria. Outlays for these programs are estimated to decline from $1.3 billion in FY85 to $1.1 billion in FY86, and to $800 million by FY88.

- GI Bill -- The Administration is again requesting legislation to repeal the VA's authority to make educational loans, citing a program that is rarely used, with a default rate in excess of 70 percent.

- Post-Vietnam era education -- Administered by the VA, this program is funded by the Department of Defense (DOD). This program will be closed to new enrollments in July FY85 for three years while the all volunteer force educational assistance test program is in effect.

- All volunteer force educational assistance -- As a recruiting incentive, the Department of Defense Authorization Act of FY84 (P.L. 98-525) established a test education program with a larger federal contribution for individuals who enter the military between July FY85 and July FY88. An individual who enrolls upon entering the military will have $100 deducted from his or her monthly pay for 12 months. Upon completion of three years of service, the individual is entitled to a basic monthly educational assistance rate of $300 per month paid by funds appropriated to the VA.

Veterans Housing

Guaranteed loan commitments and direct loan obligations for mortgage loans in FY86 are estimated at $15.4 billion and $600 million, respectively. The Administration is proposing to charge origination fees for participation in federal credit programs. Legislation is being proposed to increase the fee charged on VA guaranteed housing loans and vendee loans (which are direct loans made to veterans and non-veterans who purchase property from the VA portfolio) from the current one percent to five percent of the mortgage amount, and to allow the purchaser to add this amount to the mortgage. This change would be effective in October FY85. For vendee loans, legislation will also be proposed to require a one percent fee, a five percent down payment, and private mortgage insurance as an alternative.

Other Veterans Benefits and Services

The budget proposes that all 59 regional offices remain open for business, and that all functions requiring direct contact with veterans remain in place. Those functions that do not require direct contact with veterans are proposed to be consolidated and centralized at three sites over FY86-88. Outlays for other veterans' benefits and services are estimated to be $800 million in both FY85 and FY86.

Hospital and Medical Care for Veterans

Outlays for medical programs are estimated to be $9.6 billion in FY85 and $10 billion in FY86.

- Medical care and hospital services -- The budget proposes a comprehensive reform of eligibility for VA medical care under which the VA would provide care primarily for those veterans with disabilities and those without resources to defray all or part of their health care expenses. The reform would restrict the use of the system by all veterans, both under and over 65, whose income exceeds the eligibility level. In most cases, a higher income veteran would not be eligible for VA health care until his or her out-of-pocket medical expenses exceeded certain amounts. These out-of-pocket expenses, referred to as the "expected medical expense contribution," would be an increasing share of the amount that the veteran's income exceeded the eligibility level. This share would increase with income, from 25 percent to 90 percent, requiring higher income veterans to finance a larger amount of their medical expenses before entering the VA system. Legislation will be proposed to require reimbursement from veteran-held private insurance plans for VA-sponsored care provided to non-service-connected veterans. Outlays for medical care and hospital services are estimated to be $9.1 billion in FY86, an increase from the $8.7 billion estimated for FY85.

- Construction of hospital and extended care facilities -- New budget authority of $612 million is requested for VA medical construction in FY86, $157 million less than the enacted amount for FY85. An additional $160 million is available from prior year appropriations, bringing the total construction program level to $772 million. The budget proposes to continue the average rate of construction, replacing or modernizing two large hospitals each year. In FY86 and FY87, construction funds are proposed for four large hospital projects in Mountain Home, (TN), Houston, Philadelphia, and Augusta, (GA). The budget proposes $261 million for construction in FY86 to fund the Mountain Home project and begin construction in Houston and Philadelphia. Two new nursing homes will be constructed in Amarillo and Tucson. Budget authority of $22 million is requested for FY86, $12 million less than enacted for FY85, for grants to states for the construction or repair of state homes for the care of aging veterans.

GLOSSARY

APPROPRIATION

The actual amount of funds Congress makes available for a program or agency in a fiscal year. An appropriation is the most common means of providing budget authority, and usually follows an authorization bill. Appropriations simply represent the maximum amount an agency may spend during the specified time period.

AUTHORIZATION

Legislation which establishes or continues a federal program or agency, specifies its general goals and conduct, and usually sets a ceiling on the amount of money which can be spent for it (in some cases, "such sums as may be necessary"). Authorizing legislation normally is enacted before an appropriation or other kind of budget authority.

BACKDOOR AUTHORITY or BACKDOOR SPENDING

Budget authority or spending mandated without action by the appropriations committees. In some cases, a permanent appropriation continues without any current Congressional action. Programs with backdoor authority included the highway trust fund, the Environmental Protection Agency's construction grants, and the social security trust funds.

BUDGET AUTHORITY (BA)

Budget authority is the permission granted to an agency or department to make spending commitments. This includes hiring workers (committing funds for salaries), contracting for procurement or any other purpose (committing funds for payment at some future date upon completion of the contract), and all other government activities. In most cases, budget authority is not the level at which a program or agency will function during a fiscal year, but is merely the upper limit of new spending commitments that can be made that year. Budget authority itself does not involve the exchange of cash.

BUDGET DEFICIT

The amount by which the government's budget outlays exceed its budget receipts for any given period. Deficits are financed primarily by borrowing from the public.

BUDGET SURPLUS

The amount by which the government's budget receipts exceed its budget outlays for any given period.

CONCURRENT RESOLUTION ON THE BUDGET

A resolution passed by both Houses of Congress, but not requiring the signature of the President. The first concurrent resolution sets forth a target Congressional budget. The second concurrent resolution revises or reaffirms these targets and sets an absolute spending ceiling and minimum revenue level. If needed, subsequent resolutions for a fiscal year may be adopted at any time after the second concurrent resolution. These resolutions shall include:

- The appropriate level of total budget outlays or total new budget authority.
- An estimate of budget outlays and new budget authority for each major functional category of the budget.
- The amount, if any, of the surplus or deficit in the budget.
- The recommended level of federal revenues.
- The appropriate level of the public debt.

CONTRACT AUTHORITY

Contract authority is the amount of funding for which an agency may enter into binding commitments to make payments over some period of time. Contract authority may equal only one year's appropriation in the case of a program which involves single-year financing. It can also obligate the governments to make payments for much longer periods of time. In federal housing programs, for instance, contract authority of about $1 billion can translate into budget authority totaling more than $30 billion. In programs where contract and budget authority are both used to measure commitments, the contract authority figure is usually the total of the annual contributions which the program will require in one year.

CONTINUING RESOLUTION

Legislation that extends budget authority for specific existing activities when the regular appropriation has not been enacted by the beginning of the fiscal year. Continuing resolutions in recent years have been used to finance most government programs.

CONTROLLABILITY

The extent to which the level of spending for a particular program can be limited during a fiscal year without changing existing law. "Relatively uncontrollable" generally refers to spending for entitlement programs such as social security and veterans' benefits, fixed-costs such as interest on the public debt, and commitments from previous years.

CURRENT SERVICES BUDGET

A budget that projects estimated budget authority and outlays for the upcoming fiscal year at the same program level and without policy changes as the fiscal year in progress. To the extent mandated by existing law, estimates take into account the budget impact of anticipated changes in economic conditions (such as unemployment or inflation), beneficiary levels, pay increases, and mandated benefit changes. The Congressional Budget and Impoundment Control Act of 1974, requires that the President submit a current services budget to the Congress by November 10 of each year.

DEFERRAL

Any action or inaction by any officer or employee of the United States which delays the obligation or expenditure of budget authority. Under the Congressional Budget and Impoundment Control Act of 1974, the President is required to report each proposed deferral to the Congress in a special message. Deferrals may not extend beyond the end of the current fiscal year and may be overturned by the passage of a resolution by either House of the Congress.

ENTITLEMENT AUTHORITY

Legislation that requires the payment of benefits to any person or government meeting the requirements established by such law, e.g., social security benefits and veterans' pensions.

FISCAL POLICY

Federal taxes, spending, and debt-management policies intended to promote the nation's economic goals, particularly with respect to employment, gross national product, price stability, and balance of payments. The budget process is a major vehicle for determining and implementing federal fiscal policy.

FISCAL YEAR

Any yearly accounting period without regard to a calendar year. The fiscal year for the federal government begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends, e.g., FY86 is the fiscal year beginning October 1, 1985 and ending September 30, 1986.

FUNCTION (FUNCTIONAL CLASSIFICATION)

The Congressional Budget and Impoundment Control Act of 1974 requires the Congress to estimate outlays, budget authority, and tax expenditures for each budget function. The functional classification is a means of presenting budget authority, outlay, and tax expenditure data in terms of the principal purposes which federal programs are intended to serve. Each account generally is placed in the single function (e.g., national defense, health) that best represents its major purpose, regardless of the agency administering the program. Functions generally are subdivided into narrower categories called subfunctions.

IMPOUNDMENT

Any action or inaction by an officer or employee of the United States that precludes the obligation or expenditure of budget authority provided by the Congress. (See "Deferral of Budget Authority" and "Rescission.")

LINE-ITEM VETO

Authority for the President to veto one or more sections, or "line-items," of an appropriations bill. Currently, the President must sign or veto the entire bill without change.

OBLIGATIONS

Spending commitments of the federal government, including contracts awarded, services rendered and orders placed, requiring future outlays -- distinct from actual payments. Obligations may not be larger than budget authority.

OBLIGATED BALANCE

The amount of budget authority committed but not yet spent. This balance may be carried forward indefinitely until the obligations are paid.

OUTLAYS

Outlays are the actual amount of dollars spent for a particular activity. In almost all cases the level of outlays usually is the most important number to examine in determining how a program has fared in the budget. The level of outlays compared to the level of revenues determines whether the budget is in surplus or deficit.

REAPPROPRIATION

A carryover of funds from one fiscal year to the next which is authorized by public law. Such a carryover bypasses the Congressional procedures and requirements on rescissions in deferrals.

RECONCILIATION

A process used by the Congress whereby the Budget Committees direct the standing committees to make cuts or revenue changes or a certain size in their programs. The actual reductions are then packaged together in an omnibus reconciliation measure. The Congress can use the reconciliation process to adopt major substantive changes in authorizing law and appropriations levels, including the enactment of block grants and reductions and changes in entitlement programs.

RESCISSION

A bill or joint resolution which provides for cancellation, in whole or in part, of budget authority previously granted by the Congress. Rescissions proposed by the President must be transmitted in a special message to the Congress. Under the Congressional Budget and Impoundment Control Act of 1974, unless the Congress approves a rescissions bill within 45 days of continuous session, the budget authority must be made available for obligation.

SUPPLEMENTAL APPROPRIATION

An appropriation enacted as an addition to a regular annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until the next regular appropriation.

TAX EXPENDITURES

Losses of tax revenue attributable to provisions of the federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, preferential rate of tax, or a deferral of tax liability. The Congressional Budget and Impoundment Control Act of 1974 requires that estimated levels of tax expenditures be represented in the President's budget.

TOTAL OBLIGATIONAL AUTHORITY (TOA)

Legal authority to incur obligations, make payments, borrow money to make payments, enter into contracts and incur other obligations. The concept is similar to but more inclusive than "budget authority."

TRUST FUNDS

Federal funds used to carry out specific purposes and programs under trust agreements or statutes (social security and unemployment trust funds, for example). These funds may not be used for purposes other than which they are intended unless the Congress specifically authorizes it.

UNEXPENDED BALANCE

The amount of budget authority unspent and still available for future spending; the sum of the obligated and unobligated balances.

UNOBLIGATED BALANCE

The amount of budget authority not yet obligated. In one-year appropriations, this unobligated balance ceases to be available after the end of the fiscal year. In multiple-year appropriations, the unobligated balance may be carried forward and remain available for later obligation.